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Friday April 5 1991

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EUROPE
Getting ready for car wars
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World News

East German privatisation agency needs DM400bn

Germany's Treuhand agency, which supervises state-owned enterprise in the east, will need about DM400bn ($235bn) by the year 2000 if it is to give priority to restructuring rather than closing ailing companies, according to the Finance Ministry. Page 14

Mass Hindu rally
India's Hindu revivalist movement organised one of the largest rallies in New Delhi since independence, thereby boosting enormously the general election prospects of the Hindu Bharatiya Janata Party (BJP). Page 14

Tutu urges review
Archbishop Desmond Tutu, South Africa's most vocal black rights campaigner, urged anti-apartheid leaders to review the need for sanctions.

Brussels climbdown
The European Commission, after facing strong opposition, has watered down proposals for industrial sites to publish annual audits of environmental performance. Page 2

Hong Kong warning
A UN panel of jurists is urging Britain to ensure that human rights in Hong Kong are fully safeguarded after the territory reverts to Chinese sovereignty in 1997. Page 4

Army goes it alone
Yugoslavia's federal army appears to be distancing itself from the country's politicians by intervening in the western republic of Croatia. Page 2

Guatemalans to talk
Guatemalan government officials and left-wing guerrillas will hold direct peace talks this month for the first time in the 30-year civil war.

New Zealand protest
About 100,000 New Zealanders took part in angry anti-government demonstrations in what police said was the nastiest protest since the 1981 Springbok tour. Page 4

Opposition merger
Kim Dae Jung, leader of South Korea's largest opposition party, said his party will merge with another dissident group. Page 4

Push for democracy
Leading members of Indonesia's religious and intellectual communities are launching a movement to push for greater democracy. Page 4

President sworn in
President Nicephore Soglo was inaugurated as Benin's first democratically elected leader in more than two decades.

Nuclear shutdown
A faulty pump caused an automatic shut-down at a nuclear power plant near Tokyo.

Pressure for inquiry
Human rights group Amnesty International called on Mauritania to investigate reports into the death in custody of up to 200 political prisoners.

Safari park planned
China plans to build what it says will be east Asia's first safari park to house lions, tigers, bears, elephants and zebras.

Weekend FT
Tomorrow: Nicholas Woodsworth on the pretty faces and secret places of France
●
Collecting: a colour page of classic cars

Business Summary

Affiliate pulls Nissan Motor down by 40%

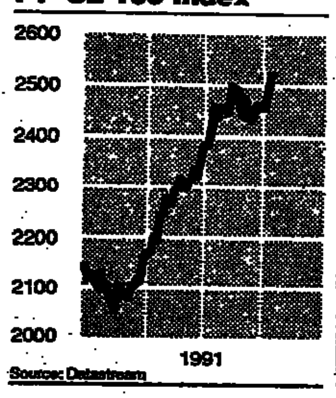
Nissan Motor, Japanese carmaker, is expected to report a 40 per cent fall in consolidated net profits for the year to the end of March.

The company blames poor market conditions and the cost of covering the losses of Ikeda Bussan, a group components manufacturer, which suffered heavily through securities investments. Page 16

DAI-ICHI Kangyo, Japan's largest commercial bank, announced wide-ranging business link with Jonan Shinkin, country's biggest community bank. Page 15

FT-SE 100 share index scaled new heights as investors expressed renewed confidence in an economic upturn. It closed at a record 2,524.5.

FT-SE 100 Index



Source: Datastream

London Market, Page 31; World stock markets, Back Page Section II

BEGHIN-Say, French sugar company controlled by Italy's Ferruzzi group, is to tap the market for FFr3bn ($530m) to finance expansion projects in eastern Europe. Page 15

US securities industry has suffered its worst year since 1973, according to figures released by the New York Stock Exchange. Page 15

IBSTOCK Johnsen, building materials group, plans to raise £44m ($78.3m) to invest in UK bricks division and take full control of its businesses in Portugal. Page 16

BMW, German luxury car producer, expects further growth in 1991 after record profits last year. Page 15

CONTRACTORS and banks caught in a multi-billion dollar wrangle over stalled projects in Iraq expressed cautious optimism that an end to the dispute may be in sight. Page 4

GKN, UK components, industrial services and defence group, is moving into eastern Europe through the purchase of east German motor components maker Gelenkwellenwerk Mosel. Page 16

AUSTRALIAN Airlines, government-owned domestic carrier, weathered deregulation and Gulf crisis to report a A$8.97m ($6.95m) profit for six months to December. Page 17

SUZUKI Motors of Japan, which has a 40 per cent stake in Maruti Udyog, joint venture with the Indian government, is to leave the European market for small cars to the Indian company. Page 17

PERRIER, French mineral water group, is to sell its dairy products subsidiaries to Besnier, the leading French dairy group. Page 18

USF&G, large but troubled US insurance group, said it expected to cut its workforce by about one quarter as it attempted a big "downsizing" of its business. Page 18

US BONDS: Treasury prices firmed on news of a rise in the number of people claiming state unemployment insurance. Page 20

BRAZIL took a big step towards opening up its protected motor industry by ending quotas and other restrictions on foreign car imports. Page 5; Brazil debt, Page 3

UN plans appeal ● UK gives £20m ● Turkish border 'sealed'

Aid urged for Kurdish refugees

By John Murray Brown in Şemdinli, Eastern Turkey, and Alison Smith in London

INTERNATIONAL relief efforts for Iraq's Kurdish refugees fleeing Iraq gained momentum yesterday as United Nations agencies stressed that substantial funds were urgently needed to aid Kurds flocking to the borders of Turkey and Iran.

Mr John Major, the British prime minister, pledged "a substantial donation" from the UK of around £20m ($35.6m), through the UN appeal to be launched on Monday.

Speaking in Downing Street, Mr Major said the help would be provided directly and through the European Community, in addition to the £1m of immediate aid the UK is already sending.

At the UN, ambassadors of the five permanent members of the Security Council were due last night to hold private consultations with Mr Javier Pérez de Cuéllar, the Secretary General. They were expected to discuss the scale of the human problem as well as calls from some quarters for tougher UN-backed action against Iraqi President Saddam Hussein's repression of the Kurdish minority in his country.

Mr Major said Britain had asked for the Kurdish relief issue to come high on the agenda for Monday's meeting of the European Council. He also pointed to the UK's diplomatic activity directed towards helping the Kurds, including requests to President Turgut Ozal for Turkey to open its borders to the refugees.

In Ankara, Mr Ozal hinted that the border with Iraq could be opened if the international community could give assistance to the refugees threatening to pour into the country.

Turkey is planning to establish new refugee camps to accommodate the influx. But aid agencies in Ankara are concerned that money pledged by donors has still not been received. At Şemdinli, close to Turkey's eastern border with Iraq and Iran, there are an estimated 1,000 Kurdish refugees in a small reception centre run by the Turkish military.

The military there appeared last night to have sealed the border in an attempt to stem the influx and no new arrivals were reported yesterday.

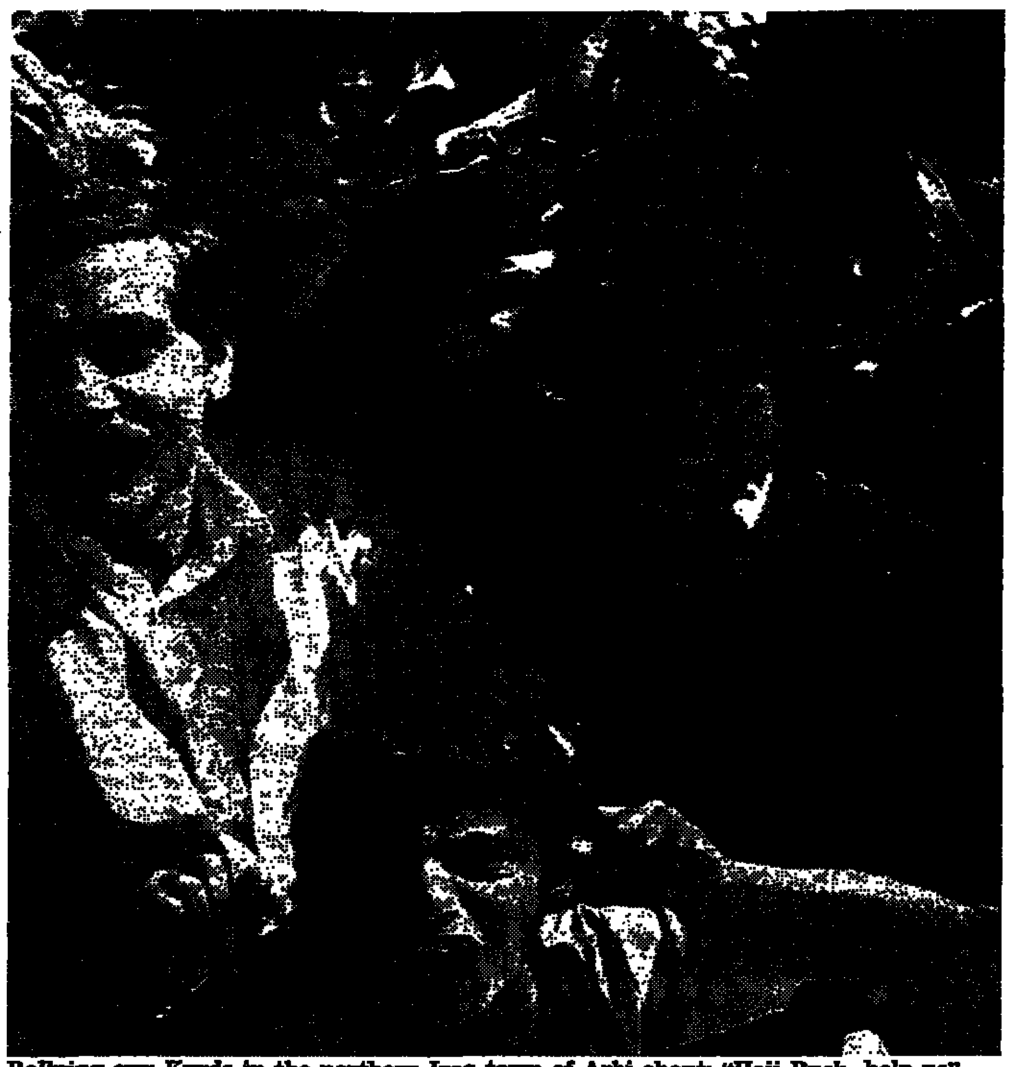
Refugees arriving in the area are being supplied with blankets and tents from the Turkish Red Crescent and are given food twice a day. But the situation remains very confused.

Iran is admitting refugees more freely than Turkey. The official Iranian news agency (Irna) yesterday reported that 20,000 had entered through the Savoji border post and another 3,500 had crossed into Iran at Haj Omran.

Irna said the biggest gathering of refugees, about 1m, was at the border post of Nowsoud where some children had starved to death.

The Nowsoud refugees were mostly from Sulaimaniya, the last Kurdish stronghold to fall to Mr Saddam's army on Wednesday, and did not have food or shelter to survive for long, Irna said.

In London, meanwhile, Mr Major emphasised the difference between the action the international community had been able to take to secure
Continued on Page 14


Rallying cry: Kurds in the northern Iraq town of Arbi shout: "Haji Bush, help us"

Blood stains shrine of a shattered people

By Lamis Andoni in Baghdad

This report was subject to Iraqi censorship.

PRESIDENT Saddam Hussein's regime has conceded that a major overhaul of government is necessary to head off fresh challenges to the system after five weeks of violent unrest which has left the country in a state of shock.

The Iraqi army's drive to extinguish the rebellion in the predominantly Shia south and the Kurdish north has allowed the Baathist regime to regain control of most of the country and given Mr Saddam some breathing space.

A front page editorial in Al Thawra newspaper this week contained an unusually critical reassessment of the party's performance. "The party has failed in filling the social vacuum... Consequently the Iraqi society has developed horizontally but not vertically," it said.

This comes close to admitting the party has failed to address Iraq's ethnic and sectarian problems and that the government cannot ignore the grievances which provoked the bloody revolt.

The difficulties ahead for the government were underlined when foreign journalists toured major northern and southern cities this week.

The uprising has aggravated the political, social and economic problems of a people shattered by war and whose lives have been reduced to basics by a long-standing United Nations embargo.

In every town swept by unrest, public facilities, shopping centres and government buildings have been badly damaged, burnt and looted. Officials accuse the rebels of seizing government buildings, destroying official records and ravaging the infrastructure already bombed by the allied forces.

The rebels appear to have attacked symbols of government and, according to the government, carried out mass executions of Baath party officials.

Casualties in the north of the country appeared lighter than those in the south, although scores of corpses, some bloated or charred, were lying in the streets of Kirkuk and Arbil. There were no obvious sign of the army using napalm or phosphorus bombs: at least in the towns visited by foreign journalists who were escorted by government officials.

In the town of Arbil the streets were deserted. Eye witnesses said the army had dropped leaflets from helicopters advising residents to leave Arbil and Kirkuk hours before Mr Saddam's troops attacked the rebels.

When journalists arrived in Arbil on Tuesday, residents were beginning to return to their homes by car or on foot. The Iraqi army and the pro-government Kurdish militias (Alfursan) were still on alert at the entrance to the city.

The government claims that retribution against officials was most violent and gruesome in the south where the fiercest fighting took place.

Foreign journalists were shown two rooms – one in the holy shrine of Imam Abbas and the other in an auxiliary building to the shrine of Imam Ali in Najaf – which were used for torture and execution by the rebels, according to officials. Thick and dry stains of blood covered the walls and
Continued on Page 14.

Telecoms groups plan new service for business customers

By Charles Leadbeater in London

THREE of the most powerful telecommunications companies in the world are considering plans for a jointly controlled company which would offer services to international business customers.

The three, Nippon Telegraph and Telephone of Japan, Deutsche Bundespost Telecom, the German telecommunications carrier and BT, the British telecommunications group, are discussing a joint-venture which would be the most ambitious international deal yet attempted in the telecommunications industry.

The consortium would act as a sub-contractor to large companies by taking over running their internal telecommunications networks. This would follow developments in other industries, such as computers, in which companies have increasingly outsourced management of their systems by specialist sub-contractors.

The jointly owned business – to be called Pathfinder – would be 48 per cent owned by BT, with the other two partners owning 26 per cent each.

The negotiations over Pathfinder come only four months after BT announced it was forming an informal partnership with IBM, the US computer group. It is understood that IBM would have an arms-length relationship with the Pathfinder consortium.

The Pathfinder talks will put AT&T, the US telecommunications group, and other carriers under pressure to secure equivalent arrangements to offer similar services to international customers.

The three companies plan to carve up the world's market: BT would offer Pathfinder services in the US, through its Tymnet subsidiary; BT and DBP Telecom would take care of Europe; while NTT would take the lead in Asia. Between them the three would be able to offer a one-stop shop for international services.

This degree of co-operation is unprecedented in the industry. Through Pathfinder a company could deal with a single company across the world's main trading regions, rather than dealing with a string of different national utilities.

The consortium faces several obstacles. The plan may attract objections from regulators and competition authorities concerned that it may reduce competition.

Yeltsin wins Russian backing for extra presidential powers

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian leader, yesterday won preliminary approval from the federation's parliament for extraordinary presidential powers which could lead to a head-on confrontation with President Mikhail Gorbachev.

As Mr Yeltsin adopted Gorbachev-style tactics to enhance his position, the Soviet government faced further turmoil on the industrial front. Resistance continued among striking coalminers, especially in the militant Donbas region in the Ukraine, despite the government's offer on Wednesday night to double miners' salaries.

To compound the government's woes, thousands of demonstrators filled the central square in Minsk, capital of the Belorussian republic, which is usually one of the calmest in the union. The demonstrators demanded the resignation of Mr Gorbachev and Mr Valentin Pavlov, the Soviet prime minister, because of the sharp increase in prices at the beginning of this week.

Mr Yeltsin sprang his move upon the Russian parliament yesterday morning, arguing that he needed extraordinary powers to force through measures agreed by the parliament, especially in the economic field, to secure social stability. Although fiercely opposed by his communist rivals, he received a 2-1 vote in his favour – though a drafting commission was working overnight on the detailed resolution on Mr Yeltsin's demands.

If finally passed, the resolution will give Mr Yeltsin sweeping powers to legislate over the territory of the Russian federation. It could also spark a "war of decrees" with Mr Gorbachev who has already been told by his senior economic advisers to curb the ambitions and activities of the republican governments, especially Russia's.

Mr Yeltsin's move, which echoes action taken in the past by Mr Gorbachev in the USSR Supreme Soviet, comes as the government appears resigned to a spiralling increase in pay rises.

Mr Lev Ryabev, a deputy prime minister, admitted yesterday that the miners' settlement, cost $10bn, reached on Wednesday night would "have a bearing on" much higher inflation. However, he said oil, gas and steelworkers could expect similarly generous treatment to the miners. The offer to the miners would double the average monthly salary.

There is no guarantee however that even such a wage rise will succeed in ending the strike in the main coalfields.

● The rebel republics of Lithuania and Latvia have agreed to begin full-scale negotiations with the Kremlin within the next month.

Successful preparatory meetings in Moscow yesterday followed weeks of wrangling and the Soviet army's crackdown on the Baltic republics in January. No agenda has been set but the discussions are likely to focus heavily on economic ties, while Moscow will do its best to avoid discussion of the republics' demands for speedy independence.

Privatisation law, Page 2

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Campaign goes astray for Tokyo plotters

Insulting a man as mature as Shunichi Suzuki, Tokyo's 80-year-old governor (pictured left), is just not done in Japan. Not even in politics
Page 4

MARKETS

STERLING
New York lunchtime:
$1.788
London:
$1.7845 (1.781)
DM2.975 (2.9625)
FFr10.0725 (10.05)
SFr2.5025 (2.5175)
Y243.0 (245.0)
£ index 92.7 (92.7)

GOLD
New York: Comex Jun
$362.0
London:
$359.05 (359.35)

N SEA OIL (Argus)
Brent
$18.45 (18.125)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.6635
FFr5.6455
SFr1.4025
Y136.25
London:
DM1.667 (1.664)
FFr5.645 (5.6425)
SFr1.4025 (1.414)
Y136.25 (137.3)
$ index 64.8 (65.0)
Tokyo close: Y137.45

US lunchtime rates
Fed Funds $6\frac{1}{8}$%
3-mo Treasury Bills:
yield: 5.902%
Long Bond:
$96\frac{21}{32}$
yield: 8.169%

STOCK INDICES
FT-SE 100:
2,524.5 (+5.4)
FT Ordinary:
2,007.2 (−7.0)
FT-A All-Share:
1,223.55 (+0.3%)
New York lunchtime:
DJ Ind. Av.
2,939.6 (+12.87)
S&P Comp
380.77 (+1.83)
Tokyo: Nikkei
26,689.81 (−90.25)

LONDON MONEY
3-month interbank:
closing $12\frac{5}{16}$% (same)
Liffe long gilt future:
Jun $93\frac{19}{32}$ ($92\frac{29}{32}$)

Moscow ready to debate draft privatisation law

By Leyla Boulton in Moscow

THE Soviet parliament is today expected to debate the country's first privatisation law after 70 years of resistance to the very concept of private property.

The draft law, finalised by the government's economic reform commission after weeks of wrangling among ministers, sets the terms and procedures for both "destatisation" and privatisation of state assets.

It has been welcomed by radical economists as a step towards creating a market economy, despite their misgivings about the Kremlin's overall approach to economic reform.

Mr Gennady Melikian, a senior official on the economic reform commission, said recently that all-union assets totalled around Rbs2,000bn. He predicted that up to 20 per cent could be sold off in three or four years, while 25 per cent would remain in government hands.

Under the draft, a central Fund for State Property (probably set up by presidential decree) will oversee the privatisation of all-union assets, while republican authorities will be free to dispose of enterprises under their control as they wish. The Soviet government will establish a list of its enterprises which will not to be privatised for defence, ecological, or other unspecified reasons.

Hardline communist deputies are likely to offer stiff resistance to the law's stipulation that shares be bought rather than distributed free of charge.

It gives workers first option on buying out their enterprise but says that no more than 30 per cent of the assets should be ceded to them on preferential terms.

The draft law says states that revenues from share sales will be used to pay off the debts of enterprises. Some proceeds may go to pay off state debts, stabilise the economy and fund key social expenditure, including compensation for workers who may be laid off as a result of privatisation.

Shares may be sold to Soviet and foreign legal entities and individuals (although rules for foreign investors have yet to be set out in a separate law).

The central government will establish a list of enterprises and sectors earmarked for early privatisation. Specific deadlines are absent from the legislation, but enterprises themselves can apply to begin privatisation and their requests must be ruled on within a month.

The evaluation and sell-off of enterprises will be handled by committees representing privatisation officials and experts, management and the workforce. Shares are to sold on an auction basis with starting prices set by the committees.

Mr Grigory Yavlinsky, the leading author of the 500-Day Programme for a crash transition to a market economy, said the law would put some method into chaotic privatisation attempts already under way in various parts of the country.

The Soviet law is partly based on a draft he prepared for the Russian parliament but which has yet to be adopted.

If passed, the Soviet legislation should make it easier for foreign investors to step in, once the companion law on foreign investment is adopted.

Ms Barbara Duvoisin, a Moscow-based consultant with Price Waterhouse, said a that key obstacle to privatisation up to now was the absence of procedures for carrying it out.

Individual Soviet enterprises, such as Kamaz, the giant truck plant, have already begun to sell off shares. But this has only been possible in specific cases pushed by the Soviet government.

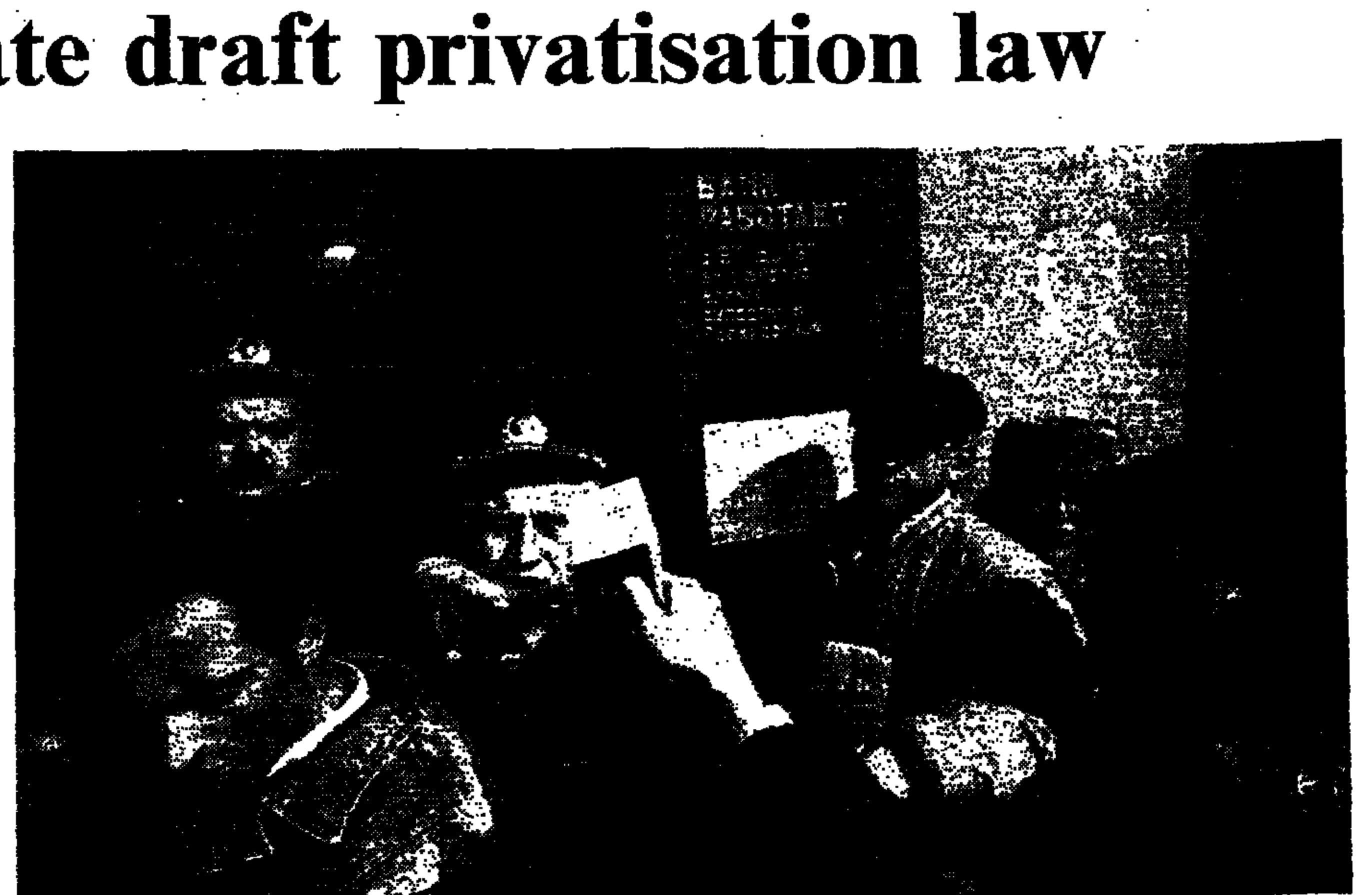
Until there is an agreement between the centre and the republics, a row over who owns what will also continue to be a problem. Russia for instance is claiming a share of all-union enterprises, which account for most heavy industry on its territory.

Kamaz for instance has so far failed to get foreign investors because of their demands for three sets of guarantees that the assets will not be confiscated - from the central government, the government of the Russian Federation, and authorities in the autonomous republic of Tatarstan.

Some authorities on the ground, such as Ms Elena Kotova, the head of Moscow city council's privatisation committee, doubt whether the law will actually deliver results, unless those in charge of the privatisations have the power to override the resistance of vested interests.

Ms Kotova has been unable to push through the outright sale of restaurants, shops and service industries in the capital because of the resistance of the state organisations which run them and which have opted instead for limited forms of leasing.

The radical city council in Leningrad meanwhile has already encountered the refusal of workers to vacate premises after their sale to private owners.



Muscovites struggle with militiamen outside one of the two banks where they are able to obtain foreign currencies

Yugoslav army tries to stay out of politics

By Judy Dempsey

YUGOSLAVIA'S federal army, often perceived as the loyal supporter of Mr Slobodan Milosevic, the communist President of Serbia, appears to be distancing itself from the country's politicians by its intervention in the western republic of Croatia.

General Veljko Kadejevic, the defence minister, sent troops and reinforcements into Croatia on Sunday to prevent the conflict between Croats and Serbs, the country's two largest ethnic groups, from escalating into large-scale violence.

A week ago, ethnic Serbs attempted to take over Croatia's tourist resort of Plitvica. Croatian police ousted the Serbs, but the army stepped in after two people were killed.

Constitutionally, the army is under the command of the collective presidency, which consists of representatives from the six republics and two provinces. But the presidency met in emergency session on Sunday and was divided about the army's role.

The army appears frustrated by the lack of unity, combined with a growing sense of paralysis in the presidency.

It was particularly concerned by a statement by Mr Milan Babic, the nationalist leader of the ethnic Serbs in the region of Krajina in Croatia, who told Belgrade Radio that the ethnic Serbs had been promised weapons by Mr Milosevic.

If this is true, it confirms earlier suspicions that the rebellion by ethnic Serbs in Croatia has had the Serbian leader's full support. Serbs make up 11 per cent of Croatia's 4.5m population.

Last year Mr Babic declared Krajina independent from Croatia and he now supports the idea that other ethnic Serb areas in Croatia should be united with Serbia, thus bringing the idea of a Greater Serbia closer to reality.

The Serbian parliament said on Monday it would support the Serbs in Croatia but failed to take the opportunity to endorse the unity of Serbia with Serb-inhabited regions in Croatia.

Yugoslav analysts said the army was not prepared to stand by as heavily-armed ethnic Serbs and Croats confronted each other, particularly since this could spill into neighbouring Bosnia-Hercegovina in which Croat, Serb and Moslem communities co-exist.

The army has given no indication how long it will remain in Croatia. Its presence denies Mr Milosevic a greater opportunity to provoke ethnic unrest in the republic.

But it may also increase resentment among Mr Babic's supporters who appear determined to unite Serbs.

Moreover, the Croatian government, led by President Franjo Tudjman, continues to oppose any army presence in the republic, saying the military does not have the authority to intervene.

Mr Tudjman's ability to contain what are still local, but intense, ethnic conflicts is also called into question by the army involvement. Furthermore, Croats believe that the army is susceptible to Serbian influence because 70 per cent of the officer corps are Serbs.

● The European Community yesterday urged Yugoslavia to remain united and warned against a breakup of the factious country into independent states, AP reports.

"We came here to support the process of democracy, unity and dialogue in Yugoslavia," said Mr Jacques Poos, the EC Council chairman, and Foreign Minister of Luxembourg.

Mr Poos said the Community would take measures to aid Yugoslavia in overcoming its worst political crisis since 1945. He also implied the Community might also consider writing off part of Yugoslavia's $17bn foreign debt to help implement a programme of reforms to transform the Communist-style economy into a free-market one.

Sudden switch to hard currency trade 'a mistake'

By Christopher Bobinski in Moscow

MR VALENTIN Pavlov, the Soviet premier, yesterday admitted that the abruptness of the switch to hard currency pricing in trade between Poland and the Soviet Union on January 1 was a mistake.

Speaking after meeting Mr Jan Krzysztof Bielecki, the Polish prime minister, he said steps would have to be taken to reverse a slump in mutual trade which is threatening tens of thousands of Polish jobs.

In the first two months of this year, Soviet sales to Poland amounted to $240m while Polish exports to the Soviet Union earned a mere $18m. "We are now putting right mistakes which have resulted in the fall in mutual turnover," said Mr Pavlov.

The Poles want trade run on a clearing system with quarterly reviews to ensure that imports and exports are evenly balanced.

Mr Bielecki assured the Soviet premier he wanted to maintain Poland's trade links with the Soviet Union and offered to supply 1m tonnes of grain and 100,000 tonnes of meat to the Soviets out of his country's farm surpluses.

Mutual debts are another vexed issue. Poland ran up a record trade surplus with the Soviet Union last year worth over Rbs7bn as a result of its export boom. At the same time it still owes Rbs4.2bn lent by the Soviets in the early 1980s.

The Poles are arguing, however, that they were underpaid to the tune of R4bn for work done in the past on Soviet gas and oil pipelines.

Mr Bielecki's visit to Moscow was designed to prepare for a state visit by Mr Lech Walesa, the Polish president, later this month. President Mikhail Gorbachev, who also saw Mr Bielecki, said: "We are neighbours and Slavs and whatever the political hue of the government in Poland we have no choice but to work together."

The Soviet leadership appears keen to have a visit by Mr Walesa in the near future to improve their human rights image after the shootings in Vilnius and Riga in January by Soviet troops.

Progress on fixing a date for the withdrawal of Soviet troops from Poland will have to be made before Mr Walesa's visit can go ahead.

Yesterday, the Soviet Union said it plans to withdraw the first of its army units from Poland next week but the two sides remain at loggerheads on the timetable and costs of the pullout, a Polish official said.

He said Moscow had failed to present a detailed timetable which it plans to complete only in 1993, despite Warsaw's demand that the last Soviet soldier should leave this year. It was also refusing to discuss financial compensation demanded by Poland.

Defiant France aids electronics sector

William Dawkins and **Charles Leadbeater** examine the industrial pressures which prompted Paris to come up with a £600m package for a strategic industry

NEVER has the contrast between the French and British response to the ills of Europe's electronics industry been so marked.

Less than a year after the flagship of Britain's computer industry, ICL, slipped into the arms of Fujitsu, the Japanese electronics group, the French government has announced an enormous boost in backing for its loss-making state controlled electronics companies.

Paris' decision to pump FFr4bn (£400m) of fresh capital into Bull, the ailing computer maker which last week announced a record FFr6.8bn (£680m) loss, and nearly FFr2bn into Thomson, the struggling defence and consumer electronics group, is the clearest sign yet of just where the limits lie in the French government's recent withdrawal from industrial interventionism.

Not surprisingly, the move drew an immediate complaint from ICL to the UK government and the European Commission. ICL fears that the cash will allow Bull to price in a predatory fashion in the UK, where it has taken public sector orders in recent years from ICL.

ICL executives fear that other loss-making electronics groups like Olivetti of Italy, Philips of the Netherlands and Siemens-Nixdorf of Germany may now be encouraged to seek state aid to restructure their businesses.

The German electronics industry association has also expressed its fears that competition might become distorted.

Presenting the plan, Mr Roger Fauroux, the French industry minister, spoke of the strategic need to keep the European electronics industry under European control and not to throw the European market "open to all winds."

French officials liken today's electronics industry crisis – falling demand, fast changes in technology and fierce competition – to the one facing the European steel industry 20 years ago. In this, Mr Fauroux has the full backing of President François Mitterrand, who called on his weekly cabinet meeting to "incite an especially energetic European effort".

Yet privately, French officials are disappointed with the recently more moderate tone of the European Commission's policy for the electronics industry. Coupled with Brussels' increasingly tough stance against state aid, which will probably lead to an inquiry by the Commission, the impression in France is that the Commission's drive to support European-owned technology companies is weakening.

"Is it not time...to do what one can to save Bull, Thomson and the others, knowing that there is nothing to hope for from a semi-impotent Europe?" wrote Le Monde yesterday.

France's room for manoeuvre depends on what the Commission will accept as legitimate behaviour for government shareholders, highly relevant to the Paris administration as caretaker of possibly Europe's most active and entrepreneurial state sector.

So far, Brussels has simply said that state shareholders should behave like private ones, though as Mr Fauroux points out, private investors have also been known to pump money – for good as well as bad reasons – into loss making businesses.

Mr Fauroux, a former chairman of Saint-Gobain, the privatised glass and pipes group which temporarily took control of Bull in the early 1980s, likens himself to the head of a diversified industrial holding group, participating in the strategic decisions of Bull, Thomson and other state held businesses.

Generally speaking, the government often behaves like a private shareholder in that it insists that investments should make commercial sense, maintains Mr Fauroux, who has always argued that Bull has a future. But this does not stop the state from pursuing a clear industrial policy, especially to defend a strategically vital sector in a crisis, he argues.

In making up their minds whether to accept that argument, the Commission's competition experts will examine closely just how the two companies plan to spend their capital increases.

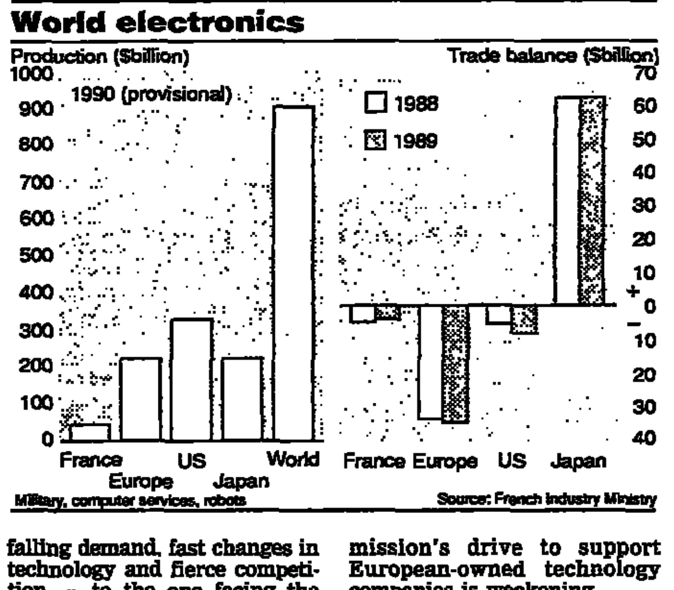
Bull's FFr4bn comes in two equal chunks this year and next. It will be partly provided by an unwilling France Telecom, owner of a 17 per cent stake in Bull, which is demanding in return the right to operate the group's internal telecommunications networks as the basis for a service to outside companies.

The cash will partly cover Bull's losses, including the FFr3.6bn costs of closing more than half its plants and reducing the workforce by 20 per cent. On top of this, Bull is getting a FFr2.7bn research grant over the next four years. This covers 20 per cent of its research budget for the period, devoted to making it easier for Bull computers to communicate with other producers' machines.

Thomson's nearly FFr2bn capital increase barely covers the FFr2.7bn – after FFr1.8bn restructuring charges – loss made by its consumer electronics arm last year, even though its other main business, defence electronics, is profitable. Like Bull, Thomson is also getting a research grant on top of the capital increase, FFr450m this year out of a FFr600m national research budget for high definition television.

Thomson Consumer Electronics has just launched an advanced TV set, designed to pave the way for full HDTV, and is gambling that this will be the first product in which it beats Japanese competition for domination of the European market.

World electronics



Source: French Industry Ministry

EUROPE IN BRIEF

Dutch face economic slowdown

Growth in Dutch gross national product will slow to around 2 per cent in 1991 and 1992 from more than 3 per cent in both 1989 and 1990, the Dutch Central Planning Office said, writes Ronald van de Krol in Amsterdam.

Measured in terms of real national income, growth is expected to show an even sharper decline to 1 per cent in 1991 from 2.5 per cent in 1990, though average growth will rebound to an average 2.5 per cent in 1993 and 1994.

Despite the slowdown, the Dutch economy has managed to escape the recession that has plagued other western countries, thanks to its close trading ties with Germany and a strong rise in disposable incomes stemming from tax cuts and other measures in 1990.

However, the central planning office cautioned that the government looked set to face further setbacks in its efforts to reduce the state's financing deficit. Its warning comes just weeks after the centre-left coalition succeeded in putting together a four-year cost-cutting package of Fl 17bn ($8.9bn).

Denmark move on EC taxes

Denmark will try to persuade other EC countries to increase excise taxes on tobacco goods and spirits rather than reduce its own high taxes, according to Mr Anders Fogh Rasmussen, the economy minister, writes Hilary Barnes in Copenhagen.

Denmark's high indirect taxes pose a serious problem for the country in view of the elimination of border controls within the EC after 1992.

The minister said the government was preparing to reduce excise taxes between 1992 and 1995. The reductions will mean a total loss of revenue of DKr7.3bn ($1.12bn). In the first phase, taxes on cosmetics, perfumes, beer, wines and soft drinks will fall, costing the exchequer about DKr3.5bn.

After 1993, tobacco and spirits taxes will start falling, but Mr Fogh Rasmussen said the government opposed the relatively low harmonised tax rates on these goods proposed by the EC Commission.

G7 ministers to meet soon

Finance ministers from the Group of Seven industrial countries are to meet in London in the next two weeks for informal talks on a range of economic issues, Peter Marsh reports.

The discussions will take place around the same time as the three-day inaugural meeting, starting on April 15, of the London-based European Bank for Reconstruction and Development.

The UK Treasury said yesterday that ministers would discuss "matters of the moment" but would not issue a communique.

A full meeting of the G7 countries, attended by financial ministers and central bank governors, is scheduled for Washington on April 28.

Budapest sacks US ambassador

Hungary's ambassador to the US has been dismissed, apparently to create a vacancy for the controversial foreign minister, Mr Geza Jeszenszky, according to political sources, Reuter reports from Budapest.

Despite official denials, the sources said Jeszenszky was expected to leave the first post-communist government in Budapest this summer to become the new ambassador to Washington. A Foreign Ministry spokesman said the present ambassador had been informed of his dismissal.

Geza Jeszenszky: expected to be new ambassador to US

Consortiums vie for bridge deal

An Italian and a German consortium have emerged as favourites to win the contract to build the world's biggest suspension bridge, which will have a central span of 1,624 metres, writes Hilary Barnes in Copenhagen.

The bridge is part of the road-rail, bridge and tunnel link across the Great Belt, the main shipping lane into the Baltic from the North Sea, which separates the Danish island of Sjaelland from the Jutland peninsula.

The Financial Times has learnt that A/S Storebaelt, the state company responsible for construction of the link, has singled out the Italian group, CMF Sud, and a German-Dutch consortium to be awarded the contract for the suspension bridge.

Obstacles block trade accord

Mr Franz Vranitzky, the Austrian chancellor, said that he was confident west Europe's two main trading blocs could work out details of a planned free trade deal by mid-1991, Reuter reports from Oslo.

But Mr Vranitzky, in Norway on a tour of Scandinavia, said major obstacles were holding up an accord between the European Community and the European Free Trade Association. The two blocs aim to set up a 19-nation single market from the end of 1992.

Greek inflation coming down

Greece's year-on-year inflation rate, the highest in the European Community, fell for the third consecutive month to 19.5 per cent in March and should meet a target of 16 to 17 per cent by the end of the year, the government said, Reuter reports from Athens.

Brussels backs down on 'eco-audit'

By David Thomas, Resources Editor

THE European Commission has watered down proposals to order tens of thousands of industrial sites to publish annual audits of their environmental performance after fierce opposition from some industrial groups.

Commission officials still plan to put formal proposals for an EC-wide environmental auditing scheme to European Commissioners within the next few months.

The latest drafts circulating within the Commission make it clear that the participation of most companies in the scheme is likely to be voluntary.

Environmental audits – or eco-audits – are systematic examinations of the environmental effects of a company's operations.

Draft proposals produced by Commission officials at the end of last year suggested that most sites in 58 industries would have to audit their environmental activities annually and then publish a summary of the results.

The latest draft proposals suggest that participation in the scheme will be voluntary and that each EC country would set up a register of companies carrying out an eco-audit, together with an environmental auditing professional body to oversee the scheme.

Companies could choose whether to participate in an audit, although individual countries would be able to insist that companies in certain industries do participate.

Companies which participated would be able to display an Eco-Audit symbol on their products. The draft document says the EC will review the scheme four years after it comes into operation to see whether it should be made mandatory.

The new proposals are likely to be more acceptable to industry bodies alarmed by the initial stress on compulsory auditing. However, European trade unions are dismayed that the latest drafts make no provision for consulting workforces during the audit.

Commission officials stress that the latest proposals may still change. Formal proposals will be put to commissioners in the next few months.

Patchy support for Albanian strike

By Laura Silber in Tirana

A GENERAL strike called by Albania's opposition Democratic Party yesterday to protest against Communist-backed violence received patchy support.

Factory workers stayed away in the capital and in the northern city of Shkoder, where four people died after security forces attacked anti-communist demonstrators on Tuesday. However, shops and public services remained open in the capital.

At a large tractor factory on the outskirts of Tirana, a few of the 5,000 workers kept the conveyor belts operating, some saying they had been pressurised to turn up by their communist boss while others said they needed the money.

"It seems in many enterprises in Tirana, people have stopped working," said Mr Genc Pollo, the spokesman for the opposition Democratic Party. Mr Pollo said that the strike was also supported by workers in Shkoder.

The strike was called after police beat up supporters of the Democratic Party, anti-communist demonstrators following last Sunday's election in which the ruling Albanian (communist) Party of Labour won two-thirds of the 250- parliament. There were no reports of violence yesterday but the capital remained tense.

There were no available participation figures but Mr Pollo said: "I could say the strike was general in Tirana and other major cities so we consider it a success." A government official, however, described it as a failure.

Many people in Tirana said early yesterday they were unaware of the strike call early in the day but had joined the stoppages by the afternoon.

● Hundreds of Albanian refugees have crossed into Greece since the communists retained power in the country's first free vote, a Greek official said yesterday, Reuter reports from Athens.

Mr Dimitris Tzorzis, an official who monitors the refugees in the town of Ioannina, said 368 Albanians had fled across the border since Sunday's election. "The stream of refugees has been steady since January. The election result did not change the number crossing the border," he said.

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AMERICAN NEWS

McFarlane named in security software case

By Alan Friedman and Eric Reguly in Washington

A BIZARRE series of allegations – including claims of misconduct by Mr Robert McFarlane, the former national security adviser to President Ronald Reagan – have surfaced as a result of a seemingly obscure legal action involving the US Department of Justice and a small Washington computer software company called Inslaw.

Among allegations contained in court affadavits filed in recent weeks in support of Inslaw is the charge Israeli intelligence forces are using an Inslaw computer software system illegally provided by Mr McFarlane.

The affidavits also claim Inslaw's case-tracking Promis software was stolen by the US Department of Justice and found its way to the governments of Israel, Canada and Iraq. The software allows users to keep track of information on criminal cases and individuals and is designed for use by police and intelligence agencies.

The case of Inslaw, which won a court victory against the Justice Department in 1987, appears at first glance to be an obscure lawsuit by a small business that was forced into bankruptcy as a result of the loss of its proprietary software.

But several members of the Washington establishment and US press reports suggest Inslaw may be only the tip of an iceberg that could have implications for US foreign policy in the Middle East.

A lawyer representing Inslaw is Mr Elliot Richardson, a former US attorney general. Yesterday, he told the FT: "Evidence of the widespread ramifications of the Inslaw case comes from many sources and keeps accumulating."

Mr Richardson said last night that "it remains inexplicable why the Justice Department consistently refuses to pursue this evidence and resists co-operation with the Judiciary Commitee of the House of Representatives."

The Inslaw case began in 1982 when the company won a

Israeli intelligence is alleged to be using illegally supplied computer software

$10m contract to install its software at the Department of Justice. In 1983 the department stopped paying Inslaw and the firm eventually went into bankruptcy proceedings.

Inslaw sued the Justice Department in 1986 and the trial took place a year later, when a federal bankruptcy court ruled in Inslaw's favour. The ruling said that the Justice Department "took, coverted, stole" Promis software through "trickery, fraud and deceit" and then conspired to drive Inslaw out of business.

That ruling, which received little publicity at the time, was upheld by the US District Court in Washington in 1989, but the Justice Department lodged an appeal last year in an attempt to overturn the judgment that it must pay Inslaw $6.1m in damages and $1.2m in legal fees.

The affadavits relate to an imminent move by Mr Richardson on behalf of Inslaw to obtain subpoena power in order to demand copies of the Promis software that the company alleges are now being used by the Central Intelligence Agency and other US intelligence services.

In response, Mr McFarlane has stated that he is "very puzzled" by the allegations that he passed any of the software to Israel. He has termed the claims "absolutely false".

In addition to alleging that the stolen software was used by US intelligence, Inslaw's new affadavits also state that the same software has been sold illegally to the Royal Canadian Mounted Police and the Canadian Security Intelligence Service. This could not be confirmed or denied yesterday.

In the affadavit relating to Mr McFarlane, Mr Ari Ben-Menashe, said to be a former Israeli intelligence officer, claims that Mr McFarlane had a "special" relationship with Israeli intelligence. Mr Ben-Menashe alleges that in a 1982 meeting in Tel Aviv, he was told that Israeli intelligence received the software from Mr McFarlane.

Brazil to seek rescheduling

By William Dawkins in Paris

BRAZIL is not planning to ask for a reduction in its $20bn (£11.2bn) official debt but will be seeking a revision in repayment schedules over the next few years.

Ms Zelia Cardoso, Brazil's Economy Minister, confirmed yesterday her country will not be seeking the same special treatment accorded to Poland, which recently obtained agreement from the Paris Club of creditor nations to have its official debt halved.

Ms Cardoso, on her way to the annual meeting of the Inter-American Development Bank (IADB) in Nagoya, Japan, criticised the suspension of a $350m development loan for Brazil. Brazil was up to date with its repayments to international institutions, she said, and could not accept this method of applying pressure to meet its commercial debts.

"I hope this does not create a precedent," she added. It risked creating a "harmful situation" which would cast doubt on the IADB's reputation.

● Brazil is to pay off its $280m arrears on French export credits by year-end, Ms Cardoso said. The backlog of payments to Coface, the French export credit guarantee agency, would be repaid in three instalments in April, May and June. Also, Brazil is due to pay Coface another $120m this year, which would be honoured.

Because of this, Coface had given its backing for part of a $126.5m financing contract signed yesterday.

Panama and US to unlock bank secrecy

By Tim Coone in Managua

AGREEMENT has been reached between the US and Panamanian governments, after a year of heated argument, over the conditions under which Panama's strict banking secrecy laws will be lifted to facilitate drug-money laundering investigations.

A treaty is due to be signed on April 11, according to a US official based in Panama, though "there are still some loose ends to be tied up".

The agreement will formalise existing arrangements under which US investigators are given access to banking information on customers suspected of money laundering or drug trafficking.

All cash transactions over $10,000 are already automatically reported to Panama's banking commission and in turn reported to the US authorities, if requested.

The US has insisted the treaty should extend to tax evasion investigations, and has made the disbursement of $84m out of a $420m aid package to Panama conditional on the signing of a deal.

The offshore banking community in Panama argued that such a condition would unfairly disadvantage Panama compared to other offshore financial havens and a compromise solution is believed to have been agreed under which information will be released to US tax investigators only when there is clear evidence that this was part of a drug-money laundering enquiry.

The Panamanian foreign ministry says the concerns of Panama's banking community have been fully incorporated into the treaty.

"It is a good agreement both for Panama and the US," the ministry said. Panama's Banking Association, which represents 110 offshore banks in Panama, said it had received no information yet on the proposed agreement.

Delay in signing the treaty has seen offshore deposits fall to $5bn, down from almost $30bn in 1986.

Bush: looking forward to a more personal victory in spite of continuing Gulf worries

Iraq credit plot claims another victim

A FORMER officer of Banca Nazionale del Lavoro (BNL) of Italy implicated in an alleged plot to extend $4bn (£2.2bn) in unauthorised credit to Iraq has pleaded guilty to fraud and lying to US regulators, Reuter reports from Atlanta.

The US Justice Department said Mr Thomas Mobley Fiebelkorn, former corporate lending and development officer of state-owned BNL's Atlanta office, agreed to co-operate with the government in its investigation of the scheme, which benefited the government of President Saddam Hussein of Iraq.

Mr Fiebelkorn was not among the 10 named in a 347-count indictment in February alleging fraud in connection with more than $4bn in credits and loans extended to Iraq by the BNL Atlanta branch in the late 1980s.

The group indicted includes two former officers of BNL's Atlanta branch and another employee.

President seeks poll advantage despite heartache over Kurds

Bush gala inspires mixed feelings

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush's celebration of "complete victory" in the Gulf war in a two hour all-star television welcome home to the troops has coincided with increasing criticism over his refusal to intervene in the Iraqi civil war.

A consistent theme of Wednesday evening's television salute was Mr Bush's strong leadership in the crisis. The clear message of the programme, organised by Mr Roger Ailes who ran the president's 1988 media campaign, was that of badges already on sale: "Re-elect the Commander-in-Chief."

However the main headline in the conservative Washington Times yesterday was "Where is Bush?" over a story saying that fleeing Kurds were asking that question. New York Times columnist William Safire argued that Mr Bush had lost the credibility earned by American arms and had thrown "away our new found pride as a superpower that stands for the right and will not to let defenceless allies be pushed around."

Mr Bush's message to the troops was: "America has rediscovered itself during Desert Storm. We regained confidence in America's special decency, courage, compassion and devotion to principle."

Having achieved the aims of the United Nations mandate – "we've done the heavy lifting" – Mr Bush's priority is to bring the troops home as quickly as possible.

The President's non-interventionist stand has two planks. Influenced by Saudi Arabia and Turkey, he believes the priority is to maintain Iraq as one country and to avoid at all costs a fragmentation which allows scope for Syria and Iran to intervene. Washington and Riyadh want to get rid of Saddam Hussein, but are prepared to accept instead a military leader from a similar Sunni/Baathist background.

In addition Mr Bush believes there is no domestic and international support for active intervention on the side of the rebels, a judgment that appears to be correct. There has been little more than murmuring from Capitol Hill, not only because Congress is in recess but also because many Democrats are compromised through their opposition to the start of the war in mid-January.

Senator Al Gore of Tennessee, the only prominent Democrat to support the authorisation of military action then, has been one of the few to criticise Mr Bush for not insisting that Iraqi helicopters stop flying.

Nevertheless there is considerable unease at the stories of Iraqi military atrocities and fleeing refugees.

Foreign policy analysts have argued that Mr Bush's hands-off approach and ambiguities about whether Iraqi helicopters should be attacked risks giving Mr Saddam a new lease of life as well as robbing the US of the moral and political authority it gained in the war.

Mr Bush has been thrown on the defensive, and has not been helped by the juxtaposition of pictures of him fishing or golfing in Florida against those of desperate refugees.

The administration hopes the focus on the Kurds will be short-lived and the main domestic reaction will remain celebration over the military victory.

INTERNATIONAL NEWS

Hurd faces tough Peking session on HK airport

By John Elliott in Peking

DETAILED talks are to take place in Peking today between British and Chinese officials on financing plans for Hong Kong's proposed HK$100bn (£7.38bn) international airport, in a last-ditch attempt to end a potentially damaging impasse on the issue, before Mr Douglas Hurd, British foreign secretary, leaves Peking tomorrow.

This emerged yesterday during a tense two-hour session between Mr Hurd and Lu Ping, Peking's senior official responsible for Hong Kong, when it is believed that new financing ideas were discussed.

"It is all much clearer in their minds as well as ours as to what the real issues are, but it is still too soon to say whether there will be an agreement," said Mr Hurd, as he emerged looking tired from the day's talks.

This followed a warning issued publicly by Mr Hurd for the first time as he arrived in Peking on Tuesday night that Hong Kong would have to "shelve" the airport plan if China did not acquiesce soon.

Mr Hurd is concerned about China's attempts to force Hong Kong to scale down its plans so that its financial reserves, which currently total about HK$73bn, are not depleted below about HK$50bn.

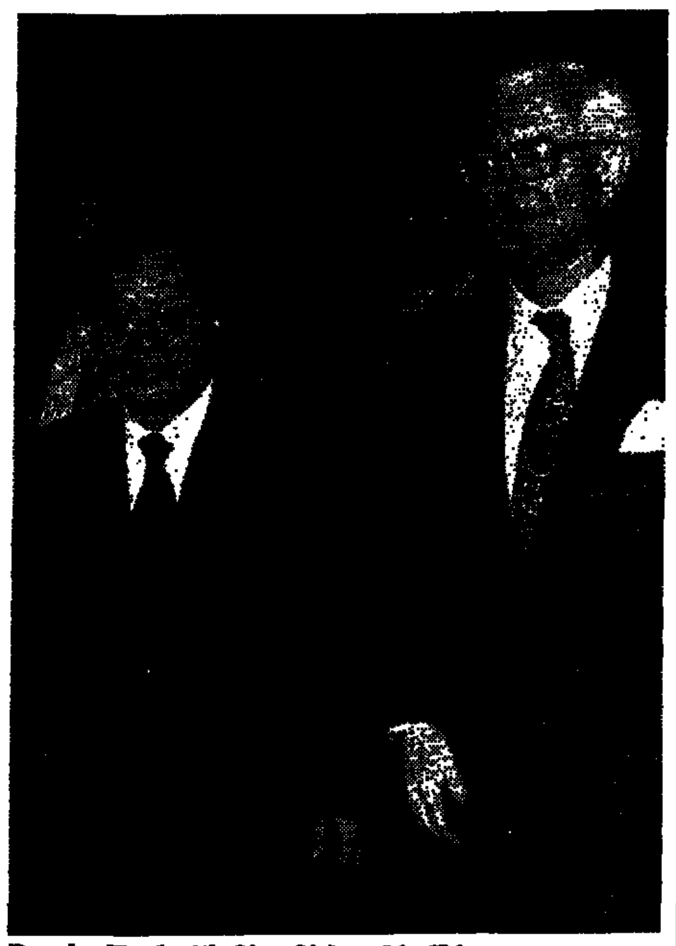
After talking to Hong Kong's executive council on Tuesday, Mr Hurd believes that this would establish a precedent for China to exercise too much political control over Hong Kong before it takes the colony back in 1997.

It appears that the aim of today's talks between officials is to try to find a formula on the financing that would be acceptable to China, without setting such a precedent.

China's insistence on having a greater say in Hong Kong's affairs in the run-up to 1997 was spelt out in a public statement yesterday morning by Qian Qichen, China's foreign minister, just before he met Mr Hurd.

He said that there was a need for "full common understanding" on issues that affected the transfer of sovereignty. China had no intention of "intervening in the daily administration of Hong Kong" before 1997 and it planned "no such thing as condominium, control or veto".

However, this statement dodges the central issue, demonstrated by the airport impasse, that China can exercise great influence, and a de facto veto, by merely questioning and criticising plans.


Douglas Hurd with Qian Qichen, his Chinese counterpart

Relief agencies assess scale of Iraq exodus

By William Dullforce in Geneva

KURDISH refugees are being allowed into Turkey at the rate of about 1,000 a day while between 30,000 and 40,000 are waiting at the border, the United Nations Disaster Relief Organisation (Undro) said yesterday. Some 10,000 are currently being looked after in camps inside Turkey.

Several thousand Iraqis, mostly Kurds, are crossing daily into Iran, where 70,000 are already living in camps, Mr Ferdinand Mayhofer, Undro director, said.

However, several non-governmental international relief agencies such as Oxfam and Save the Children Fund said they could only provide practical assistance if the Turkish and other neighbouring governments co-operated and fully opened their borders to let the refugees in or allowed relief workers to operate in their territory. UN agencies said they urgently needed international help to put into effect a contingency plan to aid 100,000 refugees in each country.

Undro, which has been co-ordinating the UN relief effort in the area since the start of the Gulf crisis, will today launch a new appeal for funds. A $175m (£98m) budget has been set for the UN contingency plan, of which $38m has so far been received and spent.

Mr Mayhofer said the figure of 30,000-40,000 Kurds waiting at the border came from Turkish authorities. It is much lower than the 200,000 estimated by the Ankara office of the UN High Commissioner for Refugees (UNHCR) on Tuesday to be "approaching or close to" the border.

The official Iranian news agency reported that more than 1m refugees from Iraqi Kurdistan had flocked to the Iranian border. It said 20,000 had entered Iran overnight at the Savoji border point and a further 3,500 had crossed near Piranshahr.

Thousands more were on their way from Sulaymaniya, captured by Iraqi troops on Wednesday, and from Kirkuk and other areas, the agency reported. Many children had starved to death on the trek and many more were near death from cold and starvation, it added.

Confusion reigned about the size of the exodus and about the situation in northern Iraq yesterday, at the UN agencies in Geneva and the headquarters of the Swiss-administered International Committee of the Red Cross (ICRC).

The ICRC is working inside Iraq while UN agencies can only bring relief to people fleeing Iraq, unless they are invited by Baghdad to help inside the country.

An inter-agency team from the UNHCR, the United Nations Development Programme and Unicef, the children's organisation, was being sent from Ankara to Turkey's border to assess the situation, a UNHCR spokesman said.

Stocks of tents, blankets, food and medicines in Turkey were inadequate for the needs of 100,000 refugees but supplies could come from Syria.

Iran was "fairly well geared" to provide relief with 12 camps and sites near the Iraqi border and three more close to Tehran, but Iran would need more help to cope with refugees now arriving, and UNHCR would need more funds.

The ICRC is sending a team from its Baghdad office to northern Iraq to assess needs there. "We know we cannot handle all the needs," a spokesman said, adding that ICRC had been pressing for the UN agencies to be allowed in.

So far, the ICRC has given priority inside Iraq to securing safe water supplies by sending in purification equipment and chemicals to hospitals and the most vulnerable areas. It has managed to get "a small part" of the Baghdad water system functioning.

At the beginning of the year ICRC appealed for SFr141m ($98m) from donor countries to meet its relief efforts in Iraq and neighbouring countries and the costs of looking after prisoners of war. About half has been covered.

Last week, the League of Red Cross and Red Crescent societies launched an urgent appeal for SFr30.7m to meet the relief and rehabilitation requirements of some 500,000 Iraqis lacking food and other necessities. The request for assistance had come from the Iraqi Red Crescent society.

Oxfam said yesterday it was willing to supply the contents of its emergency stores – shelter units, blankets and water equipment – to the agencies on the ground, providing relief in Turkey and Iran (UNHCR, Turkish Red Crescent, Iranian Red Crescent).

But the organisation stressed that access was extremely difficult because of the terrain, weather and military constraints.

It was up to the UN to assume responsibility for co-ordinating a relief operation through its specialised bodies in co-operation with governments and relief agencies.

France intends to keep up its diplomatic pressure in support of Kurds in Iraq, and may seek changes in international law to recognise a "duty of interference," Mr Roland Dumas, French Foreign Minister, said yesterday, Ian Davidson writes from Paris.

The French government this week called on the United Nations to condemn Iraq's repression of the Kurds, but its appeal was blocked by the other permanent members of the Security Council on the grounds that the UN charter rules out any outside interference in a state's internal affairs.

On Wednesday President François Mitterrand protested against this restriction, and promised that France would continue to act in favour of the Kurds even if this meant breaking ranks with the international community. Mr Dumas said: "The law is one thing, but the safeguard of a population is another, quite as precious, to which humanity cannot be indifferent."

Yesterday he went one step further, and indicated that the French government would engage in a process of "reflection" on the possibility of incorporating the notion of a "duty of interference" in international law.

In testimony to the Senate foreign affairs committee, he said that the government might submit proposals to the international community. He did not disguise the juridical difficulties involved in such a change in international law.

Contractors see end to wrangle over stalled projects

By Andrew Baxter

CONTRACTORS and banks involved in a multi-billion dollar wrangle over stalled projects in Iraq expressed cautious optimism yesterday that an end to the dispute may be in sight.

Tucked away in the 3,700-word Security Council resolution on conditions for a permanent ceasefire in the Gulf war is a short paragraph that holds the key to a solution for the complex issue of performance bonds on Iraqi contracts.

The bonds are common practice in the Middle East, and typically involve up to 10 per cent of the value of a contract.

They are lodged with banks in the customer's country, and in many cases can be called on demand by the customer without the need for proof that the contract has been broken.

The imposition of sanctions froze the process under which the Rafidain Bank in Iraq could make a counter-claim against a western bank in the event that a bond was called, but contractors have been worried that their Iraqi clients would launch an avalanche of claims once sanctions were lifted.

The clause in the UN resolution says all states, including Iraq, shall "take the necessary measures" to ensure that no claims are made in connection with any contract or other transaction whose performance was affected by sanctions.

UK contractors have been particularly concerned by this possibility, because of a system of indemnities held against them by the UK banks which counter-guaranteed Rafidain Bank.

Mr Nigel Alinton of Hogg Insurance Brokers, who has been co-ordinating UK contractors' response to the threat, said the adoption of the resolution should make it easier for the UK to introduce legislation to ban payment on the bonds.

However, the reduced risk would increase the pressure on the UK banks to release the contractors from the counter-indemnities, he said. Because these count as borrowing, smaller exporters in particular had been prevented from replacing the business lost in Iraq.

Several problems remain before the issue can finally be resolved. Iraq has to accept the resolution, and one contractor closely involved in talks with the UK government expressed unease about the position of Yemen, which abstained from voting on the Security Council resolution.

The contractor was concerned that Iraq could make an order in its own courts in favour of the contract client and then freeze the assets – in Yemen or another third country – of the western bank guaranteeing the bond.

Consequently, bankers will be watching to see how widely accepted the resolution becomes, said Mr Bob Blower of the British Bankers Association. He added that adoption of the resolution was an "extremely good first step," although significant technical problems remained.

Some contractors have been upset by the apparent slowness of the UK Department of Industry to produce proposals that would ensure the performance bonds would not be called after sanctions were lifted.

But Mr Alinton pointed out that it was the British government that put the clause into the revolution in the first place.

Yesterday, the DTI said it was pleased there had been a multilateral approach to the problem, and it would now begin to consult widely on the next steps.

UK pressed on HK human rights

By Michael Littlejohns, UN Correspondent

A UN panel of jurists is urging the British government to ensure that human rights in Hong Kong are fully safeguarded after the territory reverts to Chinese sovereignty in 1997, by putting in place irreversible protective laws and a requirement for regular reports to the world body.

The issue is delicate because China has not acceded to the International Covenant on Civil and Political Rights although it *has* agreed the instrument will continue to apply in Hong Kong after the transfer of sovereignty.

Mr Douglas Hurd, the UK foreign secretary who is visiting China, said in Hong Kong this week that he would take up the human rights question.

The issue was discussed in the 18-member committee on human rights this week for the first time since 1988 in the context of Britain's report on the situation.

British and Hong Kong representatives faced sharp questioning about their government's rights policies from *delegates, many of whom had* been briefed by lawyers and journalists from the territory who came to New York to observe the hearings.

Last night, Mr Charles Goddard of the Hong Kong Journalists' Association, called the government responses "insubstantial and evasive". But he said the lobbying groups were encouraged that the issue of human rights in Hong Kong now was firmly on the UN agenda.

Mr Adrian Beamish, the UK foreign office representative, assured members that other views would be conveyed to *both governments. But he* emphasised that the Basic Law was created by China and it was not for British representatives to explain its position.

Australia cuts interest rates by half a point

AUSTRALIA'S Labor government eased monetary policy yesterday for the first time this year, cutting interest rates by half a percentage point to try to breathe life back into a weak economy, Reuter reports from Canberra.

The cut sent the Australian dollar surging 40 points to US$0.7830 as dealers, who had taken lower positions in expectation of a cut of a full percentage point, bid up the currency.

Rates were cut by the Reserve Bank of Australia to about 11.5 per cent from about 12.0 per cent, making a total reduction of 6.5 percentage points since January 1990.

Australia's largest private bank, Westpac Banking Corp, lowered its prime rate soon after to 15 per cent from 15.5 per cent, effective on April 12.

Announcing the official cut, Mr Paul Keating, the Treasurer *said the easing was* prompted by figures suggesting lower inflation. Future cuts would be made based on further improvements in the economy.

Until then, policy would remain tight because of the country's high current account deficit, running at around A$1.5bn ($1.17bn) a month, and the danger that inflation might spiral again.

"Further reductions in rates will depend on developments in the economy and on the course of inflation," Mr Keating said in a statement.

The easing "follows a review of developments in the econ*omy, particularly in light of* the progress that is being made in reducing inflation and inflationary expectations," he said.

Inflation for the quarter to December was 6.9 per cent but economists said the underlying rate, as measured in last month's gross domestic product data was closer to 5 per cent.

Buildings attacked in Auckland demo

By Terry Hall in Wellington

ABOUT 100,000 people took part in angry anti-government demonstrations in New Zealand yesterday in what police said was the nastiest protest since the 1981 Springbok tour, which divided the country under the previous National government.

Unemployed people attacked buildings in Auckland, and unionists burned effigies of ministers, at the start of what is a planned week of demonstrations. Some 50,000 teachers went on strike nationwide demonstration.

Protest has been mounting *steadily since the National* Government of Jim Bolger roundly defeated Labour in November, and stepped up a programme to put in place many of the New Right economic reforms that Sir Roger Douglas, the former Labour finance minister, was unable to implement.

The main target of yesterday's protests was the government's proposed Employment Contracts Bill which aims at bringing greater flexibility to the work force in a series of measures which undo much of the labour relations laws drafted over the past century.

The controversial bill abolishes compulsory unionism, wipes out national awards, and requires employers and workers to forge individual or collective contracts with a bargaining agent, not necessarily a union, of their choice.

However, thousands of unemployed and social welfare *beneficiaries protested at* sweeping welfare benefit cuts.

These cuts flesh all benefits in what was once regarded as the model welfare state. For example, married sickness and unemployed beneficiaries with one child receive NZ$28 a week. There is also a 26-week stand-down without benefit for unemployed people who refuse jobs and redundancy pay is calculated into benefit calculations.

Critics say the dole cuts make it impossible for many to cope. But the government says the sharp cuts are necessary to stamp out dole abuse, because the country can no longer afford the cost, and to force people to find work.

Although the proposed Bill has the support of the employers' federation, most major employers are opposed. They argue that it will make their work places unruly, with highly skilled workers who *cannot easily be replaced form*ing small elite unions of less than ten people, who can demand individual contracts to the detriment of the company. They want a continuation of the status quo of dealing with major unions.

Critics say the steps are meant to force New Zealand into a low-wage economy at a time of recession and unemployment when employers already have the upper hand, and the unions have shown a considerable flexibility to save jobs over the past three years.

They point out that the Minister of Finance, Ms Ruth Richardson, has spoken of the need for a low-wage economy.

On television last night, the architect of the Bill, Labour Minister Bill Birch, acknowledged for the first time that he agreed with Ms Richardson's views, although he argued that sweeping labour market reforms were essential build*ing-blocks towards a healthier* economy and to bring productivity and growth.

Mr Birch said the teachers, in taking a national strike action, have been misled by their union leaders, but their spokespeople said their protests will continue because the Government's real agenda is to slash education spending.

Democracy group launched in Indonesia

By Claire Bolderson in Jakarta

LEADING members of Indonesia's religious, cultural and intellectual communities are launching a movement to push for greater democracy in Indonesia.

The group, called Forum for Democracy, is made up of 45 prominent Indonesians under the chairmanship of Mr Adurrachman Wahid, who also heads Indonesia's biggest Moslem organisation.

Mr Wahid was quoted in the Indonesian press as saying that the group will be an educational forum aimed at nurturing political and cultural consciousness among the Indonesian public.

He said the movement was created because of "concern about political development in the country lately which tends to be divisive with each societal group thinking in terms of its own interests."

While Indonesia had observed democratic procedures "the spirit of democracy is still missing," Mr Wahid said.

Mr Aristides Katoppo, another member of the forum and a senior editor of one of Indonesia's leading newspapers, said that the movement, formed one year before Indonesia's next general election, would act as a channel for discussion and comment and for the freedom of expression.

The group "is not meant to be something hostile to the government but wants to provide independent views, not dictated from the executive."

Indonesia practices what it calls "Pancasila Democracy" which is based on national ideology and emphasises concensus and unity.

But critics say the system is rigidly controlled and authoritarian. Opposition or dissent has met with harsh measures from the authorities and the press is highly restricted.

In the past, there have been calls for greater democracy from dissident figures and from groups of students, but their position on the fringes of society, or "outside the sys*tem", as officials* often refer to them, meant they were easily dismissed by the Indonesian authorities.

Observers say, however, that Forum for Democracy, most of whose members are part of the existing system and of established society, are likely to prove a much stronger voice in favour of democratic change in Indonesia.

Campaign goes astray in Tokyo

Ian Rodger reports on a sudden raising of the election stakes

THE campaign to elect a new governor of Tokyo got off to an amusing start a few weeks ago with a television personality and a former wrestler, among others, taking on the 80-year-old incumbent.

Since then, the campaign has become deadly serious, with national, not merely local, significance; the future of the cabinet of Mr Toshiki Kaifu could now depend on the outcome of the April 7 vote, and the prospects for the prime minister look poor.

How this sudden raising of the stakes has come about takes some explaining; the Gulf war was one key factor and the Japanese insistence on respecting the elderly was another.

In the run-up to the campaign, it was generally expected that Mr Shunichi Suzuki, who has enjoyed support from all main parties during his 12 years in office, would again win endorsement from most parties and be an easy victor.

In the event, one of the minor opposition parties, the Buddhist-based Komeito, decided that some of the metropolitan government's recent architectural extravagances, including a spectacular new Y145bn ($1bn) city hall and a gorgeous concert hall, were well beyond what its frugal members would appreciate.

In normal times, that would not have made any difference. Komei (otherwise known, euphemistically, as the clean government party) is not a major political force in the land, or even in Tokyo. However, these are not normal times.

The party's importance in national affairs rose suddenly early this year when the ruling Liberal Democratic Party (LDP) decided to contribute $9bn to the multinational forces in the Gulf, an action requiring parliamentary legislation, itself tricky because the LDP lost its majority in the upper house in 1989.

The obvious, instant solution was to enlist the support of Komei, which had enough seats in the upper house to enable the government to carry the day. Komei officials, not innocent in the Japanese political art of horsetrading, named their price – that the LDP drop its backing in the Tokyo election for Mr Suzuki. Mr Ichiro Ozawa, the LDP's tough, young secretary general, bluntly told Mr Suzuki he was not wanted, and agreed to put the LDP's muscle behind the candidate preferred by Komei, Mr Hisanori Isomura, a distinguished television news personality.

However, the LDP's Tokyo branch was deeply offended by this rough handling of the governor, not least because it insulted an older man, which is not in the Japanese confucian tradition. What had initially seemed a close run race between Mr Suzuki and Mr Isomura was transformed by the sympathy bandwagon behind the incumbent to the point that he is now expected to win.

A defeat would be mildly embarrassing for Mr Isomura, although it is now widely believed that the LDP will reward him for his troubles by making him ambassador to Paris.

But it would be a setback for the ambitious Mr Ozawa, who orchestrated the whole scheme. As it would be his second upset in six months – he *failed late last year to pass leg*islation enabling the government to send troops to the Gulf – he would have little choice but to offer his resignation.

LDP members say the prime minister would almost certainly ask Mr Ozawa to stay on, since Mr Kaifu's administration is heavily dependent on the secretary general. If he let Mr Ozawa go then he would soon face pressure to quit himself. Also, internationally-minded LDP MPs respect Mr Ozawa's efforts to rally party support for the Gulf financial package. They recognise that the secretary general acted in what he saw as Japan's best interests.

However, even if both Mr Ozawa and Mr Kaifu survive the crisis, they will face increasing pressure from rivals for high office. With only five months to go before the end of Mr Kaifu's term as LDP president (and hence prime minister), other would-be leaders are beginning to stir themselves.

As a compromise leader with a minimal power base, Mr Kaifu's survival in office is the result of the party's inability to find a way to replace him. Until now, all its senior leaders were still tainted by association with the Recruit bribery scandal, but they were powerful enough to prevent younger men from getting in. Today, while the Recruit scandal may not be *forgotten, these senior* faction leaders – men like Mr Noboru Takeshita, the former *prime minister and Mr Kiichi* Miyazawa, the former finance minister – sense that the time may be right for a comeback.

For one thing, the opposition parties have become less effective – mainly because of their dithering on the Gulf crisis. Also, the prestige of the ultimate LDP power broker, Mr Shin Kanemaru, was tarnished two months ago when his personally-selected candidate for governor in his own prefecture was defeated. Mr Kanemaru has, godfather-like, dominated decision-making in the party for the last year and has made no secret of his wish to see the Takeshita generation of forgotten and new leaders, such as Mr Ozawa, brought forward.

It is still too early to forecast how things will work out, and all the indications are that the LDP leaders themselves are still feeling their way. Among the noteworthy events of the past few weeks was a dinner meeting between Mr Takeshita and Mr Miyazawa on January 4. Mr Miyazawa was then seen last Saturday dining with Mr Ozawa, and on Monday with Mr Michio Watanabe, leader of another faction. (LDP leaders tend to plot among themselves in posh restaurants rather than smoke filled rooms.)

Moreover, there is still potential for surprise in the Tokyo election. As always in Japanese politics, an inch ahead lies total darkness.


Ichiro Ozawa: setback for an ambitious man

Seoul opposition groups to merge

By John Ridding in Seoul

MR Kim Dae Jung, leader of South Korea's largest opposition party, said yesterday his party was to merge with a dissident group in an attempt to unite opposition forces and expand the regional base of his party's support.

The new party, which will be formally launched next week, will be called the New Democratic Union. Despite the inclusion of dissidents, it is expected to hold policies similar to those of the Party for Peace and Democracy, which Mr Kim currently heads.

Mr Kim and Ms Lee Woo Jeong, leader of the dissident-backed Party for New Democratic Alliance formed at the end of last month, said the aim of the new party, was "to thwart the ruling Democratic Liberal Party's plot to prolong its power and to achieve a transfer of power in 1992."

Mr Kim said he was seeking to extend the geographical support of his party. Currently, the PPD, which has 70 seats in the 298-seat national assembly, has support within the Cholla region in the south-west of the country and in Seoul, which is home to many immigrants from Cholla but has little outside these areas.

Outlining a nine-point policy platform, Mr Kim said the new party would subscribe to a market economy, independent diplomacy, and morality in politics. The NDU would have a collective leadership, the precise form of which would be decided over the next few days.

WORLD TRADE NEWS

Brazil to scrap import quotas for car industry

By Christina Lamb in Rio de Janeiro

BRAZIL has taken its most significant step yet towards freeing its highly protected motor industry by ending import quotas and for the first time allowing unhindered importation of foreign cars.

Such imports were allowed for the first time last July, but until yesterday, only those makers based in Brazil or who had an agency there could import cars. The limit then fixed was 10 per cent of Brazil's total imports, a quota set at $2bn (£1.1bn) by the Economy Ministry last year. Vehicles could be imported only from the home country of the manufacturing company.

All these limits have now been scrapped under Brazil's trade liberalisation process begun last July. "Now we can really say car imports have been liberated," Mr Roberto Lima, president of the Brazilian Association of Vehicle Importers, said.

It is unlikely Brazil will now see an explosion of car imports. Duties remain high at 60 per cent, and sales and state taxes are among the world's highest. Brazil's Association of Vehicle Producers estimates these costs add a 300-400 per cent premium to imported-car prices.

Under the liberalisation programme, duties are planned to fall to 50 per cent next year and 40 per cent in 1993. Importers also need a licence from the Environmental Protection Agency to ensure pollution control.

Since the liberalisation programme was launched, the only significant import has been that of Soviet-made Ladas, now the cheapest car available in Brazil. The government has ignored producers' claims that to achieve this price, Lada must be dumping.

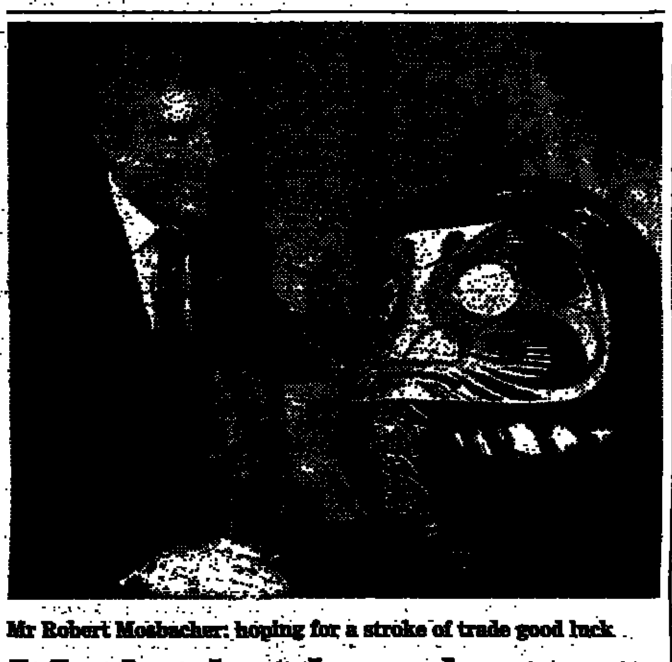
Volvo and Jaguar are expected to begin exporting luxury cars to Brazil for upper-range consumers, while Suzuki and Land Rover also have plans to move into the market.

Brazil's car producers view with distaste these developments, complaining that their ability to compete is being hindered by restrictions on the import of components.

But the Collor government, locked into a battle to destroy Brazil's powerful cartels and cut inflation, has little sympathy for the car makers, whom it regards as a bastion of protectionism.

Since the 1950s, car makers have been protected by import bans and high tariffs. Three companies, Autolatina, the holding company for Ford and Volkswagen, General Motors and Fiat, account for 98 per cent of domestic sales.

The vehicle makers remain one of Brazil's biggest employers, but how far their lobbying strength has slipped was shown recently by the government's refusal to slow the tariff reduction timetable in response to threats of huge lay-offs by Autolatina.



Mr Robert Mosbacher: hoping for a stroke of trade good luck

Mosbacher launches test of Japan trade 'openness'

By Robert Thomson in Tokyo

PAINTING in one eye of a Japanese *daruma* good-luck doll, Mr Robert Mosbacher, US commerce secretary, yesterday celebrated the launch of a programme intended to test Japan's openness by guiding a select group of 20 US companies into the local market.

Mr Mosbacher's visit is aimed at boosting US exports to Japan. The programme has been criticised in the US press for giving a few companies preferential treatment.

Japanese tradition says the *daruma's* other eye is to be painted in when an ambition is fulfilled; Mr Mosbacher suggested that a traditional US standard would be used to determine when he should complete the artwork: "To use a crass American term, when the cash register rings in a big way."

Companies selected for the Japan Corporate Programme are intended to represent a cross-section of corporate America, and the Japanese government considers the initiative could have an important, longer-term influence on Washington's attitude to trade disputes.

Each of the 20 companies has given a five-year commitment to make four visits to Japan each year, to publish product literature in Japanese, and take part in at least one trade promotion event annually.

The US department will monitor the companies' progress, and intends to compile weekly reports on their contacts with Japanese officials and businesses. Eventually, the companies' experiences will be documented as "success or failure" case studies in the Japanese market.

Japan's Ministry of International Trade and Industry (Miti) believes the scheme has long-term political significance, given the Commerce Department's active role in most trade disputes.

Efforts will be made to ensure the 20 companies develop favourable opinions about Japan.

But Mr Eiichi Nakao, Japan's trade minister, stressed last night that services provided to the participants would be available to all US companies.

"This is an extremely constructive project. I am sure these companies will achieve a great success in this market."

Philips develops light bulb to last for 15 years

PHILIPS, the Dutch electronics group, has developed a new lighting system it describes as a breakthrough like the invention of the incandescent light bulb 100 years ago, Robert van de Krol reports from Amsterdam.

The company said the new type of lamp, based on the principle of induction lighting, would have an exceptionally long life and high energy efficiency, making it useful where maintenance is costly or difficult. In tunnels, for example, the new lights would need replacing once every 15 years, an advantage outweighing their higher price.

Products based on Philips' new lighting system will be launched in Europe in September. The light will be formally unveiled on May 16. The new light, to be sold under the name QL Induction Lighting, contains no filaments or electrodes.

Third successive year of growth for shipbuilders

THE world shipbuilding industry recorded a third successive year of growth in 1990, with the number of merchant vessel completions rising by 79 to 1,672, Lloyd's Register of Shipping said yesterday, Richard Tomkins writes. Gross tonnage completed was 15.9m gross tonnes (grt), up from 13.2m grt in 1989, and the highest since 1986.

The revival reflects the ageing of the world merchant fleet rather than shortage of capacity. After a time when depressed freight rates discouraged owners adding to fleets, some ships have become so old that the cost of replacing them is justified by the increased efficiency of new vessels.

The upturn seems set to continue. Despite a dip in new orders towards the end of the year, caused by the Gulf war, total tonnage of vessels ordered in 1990 - 24.1m grt - was the highest since 1974.

Asean neighbours attracted by 'growth triangle'

Peter Montagnon and **Paul Taylor** on an experiment to stimulate regional economic co-operation

LITTLE more than a year after the go-ahead was given, the first manufactured goods are now leaving the Singapore-managed industrial park hacked out of the jungle on the nearby Indonesian island of Batam.

The speed with which factories have been erected is testimony to the enthusiasm with which Singapore and its neighbouring countries have embraced a new spirit of triangular economic co-operation.

The so-called "growth triangle" links Singapore to the south Malaysian state of Johor and to Indonesia's neighbouring Riau islands. In concept it is similar to the development of the Shenzen special economic zone in southern China.

The triangle provides for Singapore what Shenzen has done for Hong Kong – extra manufacturing resources and a plentiful supply of cheap labour for a territory that was running up against its capacity limits.

The 500 hectare park, costing according to some estimates S$700m (£225m) to develop, could eventually employ over 100,000 people, easing the current acute strain on Singapore's labour market.

In return, Singapore says it is helping its neighbours by financing their development, creating employment and by allowing them to ride piggy-back on its well-developed infrastructure, including its port and telecommunications.

Singapore officials say they have convinced their Indonesian and Malaysian counterparts that the triangle centred on Batam Island holds benefits for all

The development of the triangle was a consequence of the rapidly increasing regional investment flows as industries move in search of the cheapest production locations.

But in the longer term it may also help break down broader barriers to trade in goods and services within a region where governments traditionally prefer to think of themselves as competing rather than trading with their neighbours.

"It's an indication of what can be done", says Mr Lee Hsien Loong, Singapore's trade and industry minister. "It's changed the mood from one of looking not only at markets in the developed countries but also at what is happening in the region."

Visiting Batam today, one might be forgiven for thinking that this was something of an overstatement. With its tiny harbour and single petrol station, it is a world apart from the glistening skyscrapers of Singapore.

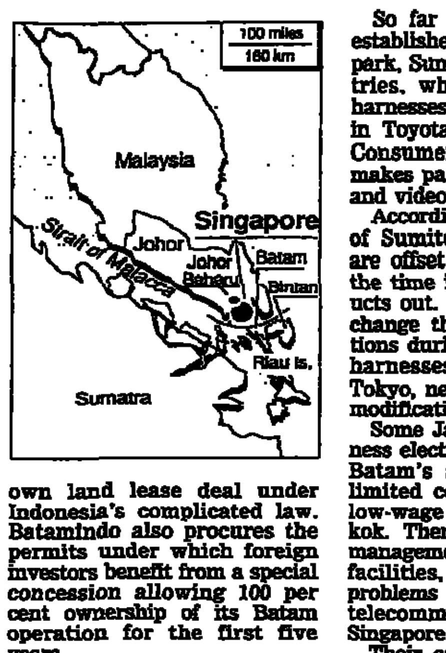
Yet the first 100 hectare phase of the industrial park is fully reserved by a total of nearly 40 companies. Officials talk confidently of employment there rising to 20,000 by the end of the year, and the concept of growth triangles is spreading. Malaysia is considering a similar arrangement linking Penang to northern Indonesia and southern Thailand.

Establishing the industrial park was a challenge for Batamindo, the joint venture between Indonesia's Salim Group and two government-controlled Singapore companies, Jurong Environmental Engineering and Singapore Technologies.

Batamindo has had to provide not only water and power for the site. It has also erected a microwave transmitter that can plug into Singapore's telecommunications network.

According to Ms Tan Bee Kim, a Batamindo marketing executive, it is now in a position to offer a complete package to foreign investors, providing them with both a factory and a staff.

"We take care of all the red tape," she says. A foreign investor using the park is spared the need to make its own land lease deal under Indonesia's complicated law. Batamindo also procures the permits under which foreign investors benefit from a special concession allowing 100 per cent ownership of its Batam operation for the first five years.



Imported inputs receive duty free access to Indonesia, while finished products benefit from the duty exemptions in the industrialised countries under the Generalised Scheme of Preferences. The factory rental cost is roughly the same as that in Singapore, but wages on Batam are a quarter of those in Singapore and a tenth of those in Japan.

So far two companies have established themselves in the park, Sumitomo Electric Industries, which assembles wire harnesses there for installation in Toyota cars, and Thomcon Consumer Electronics, which makes parts for television sets and video recorders.

According to Mr J Kiriyama of Sumitomo the advantages are offset at least partially by the time it takes to ship products out. Toyota may abruptly change the required specifications during the six weeks the harnesses are en route for Tokyo, necessitating expensive modifications on arrival there.

Some Japanese and US business electronics executives say Batam's attractions are still limited compared with other low-wage centres like Bangkok. There is no housing for management, few recreational facilities, and there are still problems routing international telecommunications through Singapore rather than Jakarta.

Their conclusion is that for the time being Batam is suitable only for very low-technology assembly. Those wishing to undertake more sophisticated processes may need to wait a couple of years while remaining infrastructure problems such as telecommunications are ironed out.

Singaporean officials believe they will eventually attract the necessary critical mass of foreign investors. They say they have convinced their Indonesian and Malaysian counterparts that the triangle holds benefits to all, and is not just a question of Singapore extending its economic muscle.

For Singapore, one of the tangible benefits – apart from easing the strain on its labour market – is the opportunity eventually to secure an alternative supply of piped drinking water from Indonesia which will lessen its dependence on Johor. Less tangible, though nonetheless important, is the notion that the door is being opened for broader regional economic co-operation.

So far a formal memorandum of understanding on the operation of the triangle exists only between Indonesia and Singapore. Day-to-day co-operation with Malaysia remains good, however, and economic ties with Johor are already close as many Singapore-based companies have already established plants there.

The weakest link is between Malaysia and Indonesia. According to one stockbroker in Singapore who has followed the development closely, this is the big political question mark. Even the sceptics concede, however, that the triangle marks the start of a process that could eventually make for regional economic integration on a much larger scale.

Bow Group seeks veto on European federalism

TWO senior members of Britain's Bow Group, which is fighting to preserve national sovereignty in the European Community, have launched a proposal aimed at preventing "creeping federalism" in the continent, writes Ivor Owen.

A paper published today by the group, which has been linked in the past to policy-making in the Conservative party, calls for national parliaments of the 12 member states to have the power to veto any attempt to invoke the provision in the Treaty of Rome designed to extend the competence of the EC into new areas.

The authors - Mr Anthony Teasdale, a former adviser to Sir Geoffrey Howe when he was foreign secretary, and Mr Quentin Huxham, a political assistant at the European Parliament - argue that the introduction of the veto would allay the anxieties over the federalist tendencies of the EC.

In the paper, entitled National Parliaments and the European Parliament, they claim that conferring a power of veto on national parliaments would provide an important "long-stop" for those who believe that the jurisdiction of the EC should be more clearly defined.

In addition it would bolster the operation of the "subsidiary" principle intended to ensure that policy areas best handled by national governments are not brought under the EC umbrella.

The authors also back the British government's objectives in seeking to strengthen existing budgetary control in the community to counter complaints that the Court of Auditors, which scrutinises how the EC spends taxpayers' money, is not strong enough.

Their paper advocates new procedures to involve national parliaments more closely in scrutinising the raising and spending of EC revenue.

Institutional reform is, meanwhile, on the agenda for next Monday's meeting in Luxembourg of the EC heads of government.

● *National Parliaments and the European Parliament: to improve democratic accountability in the EC. A Bow Group memorandum.*

TRAVEL INDUSTRY

Tour operator collapses as recession hits bookings

By David Churchill, Leisure Industries Correspondent

THE crisis in the British travel industry took a new twist yesterday when the one of the country's longest-established tour operators, Hickie Borman Grant, went into administrative receivership.

The company, founded 152 years ago, provided specialist holidays in the US and Canada. Only 120 holidaymakers were abroad yesterday when the company folded and all will be able to complete their holiday as planned.

A further 240 customers who had booked with the company will get their money back from the bond lodged with the Association of British Travel Agents (Abta).

Hickie Borman was chaired by Mr Vladimir Raitz, generally credited with creating the modern concept of a package holiday.

In 1949 he hired an ageing Dakota aircraft to take a group of Britons on an all-inclusive holiday to Corsica for £32.50 a head.

The company blamed a lack *of cash flow as a result of the* Gulf war affecting bookings.

Pergamon AGB, part of Maxwell Communication Corporation, has a £40,000 minority investment in the company but said yesterday it had no active involvement with Hickie Borman and was not involved in its collapse.

Midland Bank, Hickie Borman's bankers, said last night that it had been asked by the company to appoint an administrative receiver as soon as possible.

Hickie Borman's collapse is likely to be the first of many small specialist tour companies and travel agents forced out of business in the coming months as a consequence of the recession and slump in bookings caused by the Gulf war.

Although sales have recovered since the war ended, they are still expected to be some 20 per cent down in volume this year in comparison with 1990.

Most of the companies going out of business will be covered by an Abta bonding arrangement since they involve charter air travel. However, the *cost of any holidays involving* rail, coach and ferry travel which are not bonded will have to be met from Abta's own reserves.

Abta has asked the government to impose a consumer levy on all package holidays this year to cover the liability for these holidays. The Department of Trade and Industry said last night that it was considering Abta's request for a levy.

Hickie Borman Grant, founded in 1839, is not Britain's oldest travel company. Cox & Kings, which specialises in long-haul holidays to India, was founded in 1758. Thomas Cook, one of the UK's largest travel agencies, was founded in 1841.

● Partners in the Leeds office of Ernst & Young are expected to be appointed today as receivers of Adventure Travel International, the school tours operator which ceased trading last week.

Mr Alan Bowen, Abta's head of legal services, yesterday inspected ATI's records in Shipley, West Yorkshire, to *discover what refunds will be due* to its customers.

Disharmony breaks into bland world of canned music industry

By Raymond Snoddy

A DISCORDANT note has been struck in the harmonious world of background music.

A new British company, International Music Services, has been set up to challenge the existing players in the $200m a year business of relaying non-vocal versions of such classics as Tie A Yellow Ribbon on the Old Oak Tree and Raindrops Keep Falling On My Head to restaurants, hotels and shops worldwide.

"It's not great art but it's a very good business," says Mr Julian Huckin, chief executive of IMS which will be competing against the giants of the background music business such as Musak of the US and Rediffusion Music of the UK, the BET subsidiary. Other players include Audio Environment Inc, 3M the tape company and Philipps the Dutch consumer electronics company.

In the UK alone, Mr Huckin believes, as many as 50 companies provide sweet sounding, unobtrusive middle of the road music on never ending tapes.

The music offered by different companies isn't all that different. Competition rests in the cost of securing music rights and supplying equipment.

"Like much of the rental business the margins are good," said Mr Huckin, a former export manager of Rediffusion Music.

IMS says it already represents 43,000 music clients around the world.

Mr Huckin said shareholders included former overseas agents of Rediffusion. "The pricing policies of other international major corporation such as Musak and Rediffusion have reduced the ability of overseas agents to compete effectively in their national markets," he added.

Rediffusion Music, however, insisted that it had continuing contracts and good relations with clients in all the major European countries.

Mr Chris Ring, managing director of Rediffusion Music also expressed scepticism about IMS claim that it already had 43,000 clients.

"It's taken Rediffusion since 1957 to reach 45,000 clients worldwide," he said.

Whoever provides it the cost of canned music doesn't seem very high - at least in financial terms.

BRITAIN IN BRIEF

Economists pessimistic on economy

Pessimism among private-sector economists about the outlook for the UK economy this year has increased in the past month, according to a poll of independent forecasts compiled by the Treasury.

The average forecast in March among 26 City institutions and commercial groups was for UK output to drop by 1.1 per cent in 1991. In February, the same forecasters had said output would fall by 0.6 per cent.

Unemployment is expected to reach 2.44m, a rise of nearly 500,000, by the end of the year, according to latest poll. In February, the economists were predicting unemployment would reach 2.31m.

However, they believe a recovery will start later in 1991 and that output will grow by 2.1 per cent next year.

Computers stolen to order

Computers, photocopiers, printers and other large items *of office equipment* are being stolen to order and re-sold as bankrupt stock, according to police.

The systematic robbery, usually from small businesses, has been identified by the West Yorkshire force, which has made a computer analysis of patterns of crime in Bradford, northern England.

They found that £1.57m of expensive electronic capital *items* were *stolen from offices* in the city last year.

Burglaries took place overnight or at weekends by gangs posing as removers or service company personnel.

The "market" is relatively new, following the office technology revolution and the spread of personal computing. Previously, many small businesses with low-value equipment were not worth *stealing* from on an organised scale.

Police are now studying classified advertisements in local newspapers nationwide for offers of cheap office equipment in general and computers, photocopiers and printers in particular.

United Airlines inaugurates flights to Heathrow

Alan Harper

A United Airlines Boeing 747 from Washington DC touches down (above) at Heathrow early yesterday morning, the first UAL flight into the airport since it took over routes from ailing Pan Am as part of a route-swapping accord. The flight carried company chairman Stephen Wolf, who said he is renegotiating United's marketing agreement with British Airways on the routes where the two airlines are now competing.

Barbican arts funding rises

The future of the Barbican arts centre in the City of London has been assured as the Corporation of London has agreed to increase its funding for the two resident companies, the Royal Shakespeare Company and the London Symphony Orchestra.

For each of the next three years the RSC will receive £1.35m, and a further £303,340 has been added to the grant for the LSO, bringing the City's support for its resident orchestra to £1,048,000, which matches Arts Council support.

BR challenged on services cut

British Rail faces a challenge *over its right to impose further* cuts in loss-making regional passenger train services with the introduction of its summer timetable in July.

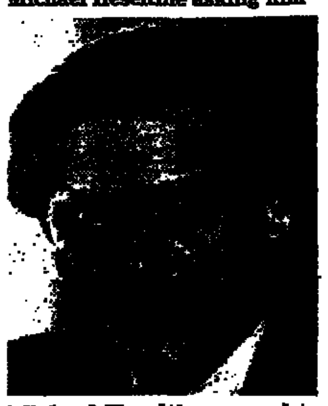
The Central Transport Consultative Committee, a *statutory* watchdog representing rail passengers, has written to the Department of Transport suggesting that the cuts could be in breach of a ministerial direction.

The direction requires BR to provide a service "comparable generally" with that operating at the time the direction was made. Planned cuts in BR's Regional Railways sector will leave services on 37 per cent of routes below that of 1988, the CTCC says.

Thailand boycott urged

Holidaymakers have been urged to boycott Thailand until it ends an illegal trade in wildlife which threatens some of the world's rarest species.

The World Wide Fund for Nature is also writing to UK Environment Secretary Michael Heseltine asking him



Michael Heseltine: urged to ban Thai wildlife imports

to ban wildlife products exported from Thailand, such as lizard-skin handbags.

Rhinos, Asian elephants, tigers and hyacinth macaws are among species threatened because Thailand flouts the *Convention on International* Trade in Endangered Species, it claims.

"Thailand is probably the worst country in the world for the illegal trade in endangered wildlife," said Simon Lyster, the Fund's senior conservation officer.

£7m drug haul found on ship

A number of men have been arrested after Customs officers seized cocaine with a street value of £7m from a Philippine ship at a Humber port.

Seventy kilos of the drug, a record haul in the north-east, were found during a routine search after the carrier Clipper Alliance arrived at Immingham docks on Tuesday from Colombia via Texas.

Customs officers are continuing to search the ship.

Fifth of shops record losses

Almost one in five of the UK's top 600 retailers recorded losses last year, confirming just how tough trading conditions have become.

According to the Corporate Intelligence Group's latest Retail Rankings report, 108 retailers traded at a loss last year compared with 69 the year before.

Clothing stores have been particularly badly hit and account for almost a quarter of last year's loss-making companies.

'Oak' title flops

The title for the lordship of the manor of Boscobel in Shropshire covering the historic oak tree where Charles II hid during the Civil War has remained unsold at an auction, despite a bid of £40,000.

Imports take king coal's crown

The gritty pithead culture that embraced the Welsh valleys is being replaced by new service industries, writes Anthony Moreton

TEN years ago it was an accepted cliché that Wales was a land of song, rugby and coal. Today, while the nation's singing may remain unchallenged, the rugger has gone off and large-scale coal mining has all but disappeared.

Cheap imports from South Africa, Vietnam, Colombia, the US and China have been its undoing. The 2.5m tonnes produced by Penallta, Taff Merthyr and Tower, all in the industrial valleys north of Cardiff, go almost entirely to a single power station - Aberthaw, on the coast west of Cardiff. Their future hangs on buying decisions taken by the recently privatised power generation industry.

With the closure of the Deep Navigation pit in Merthyr Tydfil at the end of March and the announcement that Penallta in nearby Ystrad Mynach is to shut this autumn, another 800 men will lose their jobs in a part of South Wales where unemployment among men is running at around 16 per cent.

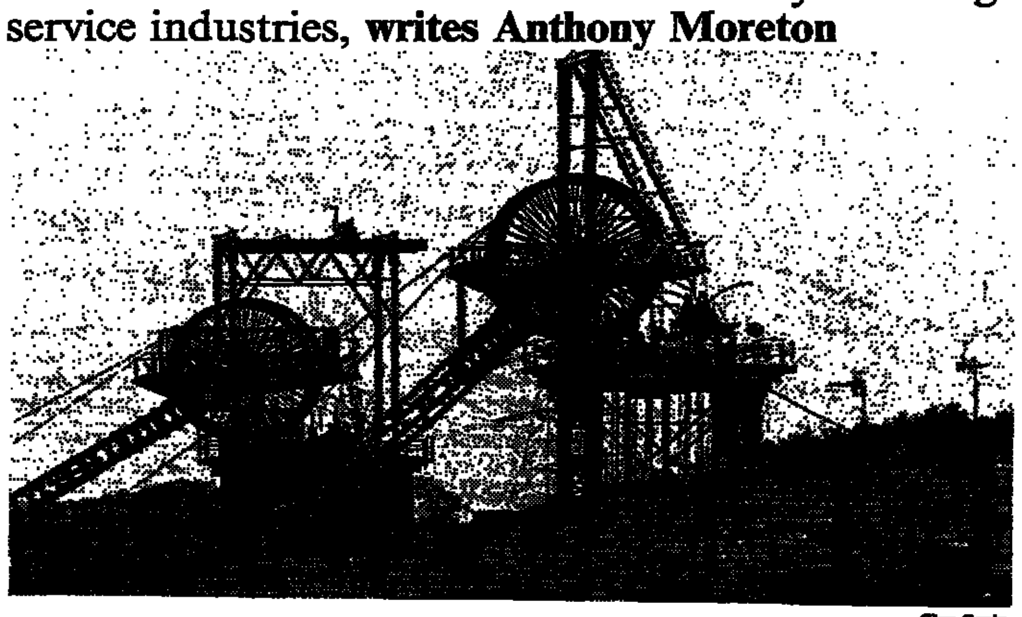
When Penallta shuts, only three deep-mine pits will remain in South Wales along with one more survivor, outside Wrexham, north Wales.

That leaves only 1,000 men in an industry that employed over a quarter of a million at the turn of the century. The inconceivable is now conceivable; it is possible to envisage South Wales without coal.

Betws, above Swansea, one of the remaining three deep-mine pits, which produces anthracite, is being reduced to the status of a small mine later this year and its workforce cut to a mere 95.

If National Power decides to buy abroad then Taff Merthyr, in Merthyr Tydfil itself, and Tower, between Aberdare and the Rhondda, will be in serious trouble.

Today's output of under 3m tonnes from the south Wales coalfield is puny compared with its 1913 production of 56.83m tonnes. Then, Cardiff alone exported 13m tonnes and the other ports along the coast also handled enormous amounts for the boilers of the world.



Glyn Genin

Pithead winding gear dominates the village of Abercynon, south Wales. It could become little more than a museum piece if the country's coal industry continues to decline.

There were 66 pits in the Rhondda, one of more than a dozen valleys that bisect the region. Merthyr, once ringed with pits supplying its iron works, is now surrounded by small advance factories put up by the Welsh Development Agency to attract new industry.

Cheap imports may have been the final agent of destruction for the coalfields, but the fundamental cause is the difficult geological structure in the steep-sided Welsh valleys.

As the pits have aged - Deep Navigation was sunk in 1873 - and the seams have become increasingly located further from the pit head, they have become more and more difficult to work. Seams wander up and down following the contours of the land, whereas in the east Midlands and Yorkshire they lie flat.

In the days of pick and shovel this may not have mattered, but to a mechanised industry it is crucial to have an even coalface for the machinery to work efficiently.

To counter the geological problems, British Coal, the state-owned monopoly, resorted to long-wall-retreat mining - a system by which tunnels are cut either side of the seams to the point where the coal ends and the cutting is done from the back to the front. Even this eventually defeated British Coal's engineers.

Disputes have not helped, though the coalfield has been relatively peaceful since the end, in 1985, of a year-long strike. Union *opposition* has, however, had one serious consequence in that it prevented an investment of £90m in one new pit that would have created 830 jobs. Opposition from Mr Arthur Scargill, general secretary of the National Union of Mineworkers, to flexible six-day working in the proposed pit led British Coal to shelve the project.

An agreement with the breakaway Union of Democratic Mineworkers came too late and, with the market for home-produced coking coal falling, it is doubtful if the corporation would now go ahead with it even though the pit's 1.2m tonne-a-year projected output was intended to counter imports.

For local men looking for work the outlook is not good despite new jobs created in the area. South Wales has attracted many newcomers such as Bosch, the German producer of alternators for the motor industry, Bluebird, the toy concern and British Airways' maintenance engineering unit.

This influx has not dried up, despite the economic recession affecting the UK. At least two big financial services groups are known to be seriously considering moving to Cardiff.

The financial services industry employs over 70,000 people in south-east Wales and the figure is expected to rise above 100,000 by the year 2,000.

For the engineers, colliers, surveyors and others coming on to the job market this is small comfort. The skills required by the insurance industry *do not sit* easily with those of the coal mine.

Nevertheless, the valleys of south Wales have, however, adapted well to their new role. Lines such as plastic toys, office furniture, photographic products, food processing and electronics are proving that there is life after coal.

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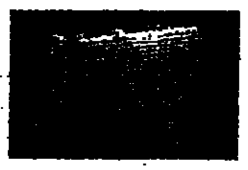

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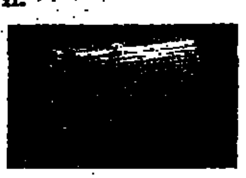

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SAS

THE PROPERTY MARKET

US real estate faces a long and tortuous road to recovery

By Vanessa Houlder

OVERBUILT and overborrowed, the property industry is likely to miss out on the promised US economic revival. Empty office blocks, falling prices and weakened banks threaten to be a continuing legacy of the downturn which started in New York and New England two years ago and rumbled through Atlanta, Washington and South California.

Even though the end of the Gulf war and falling interest rates have raised the first hopes of recovery, the industry is still preoccupied with fundamental problems. "We are probably in the worst real estate environment since the 1930s," says Mr David Shulman, research director of Salomon Brothers, the US investment house.

The 1980s building bonanza has given way to deserted shopping malls, sparsely occupied hotels and a vast oversupply of offices which could accommodate all the office workers of New York, Chicago, Los Angeles and San Francisco put together.

This imbalance between demand and supply has afflicted most cities. "It is a national problem. It will affect all banks and all borrowers," says Mr Guilliaem Aertsen, of the real estate group at the Bank of Boston. The national office vacancy rate stands at 18.7 per cent, compared with 4 per cent in 1980 and a peak of 15 per cent in the last downturn of 1975, according to Coldwell Banker, a real estate adviser.

The rapid expansion in credit bears much of the responsibility for the building spree. Banks, deprived of corporate business siphoned off by the capital markets, channelled 60 per cent of their loan growth into property between 1984 and 1989, according to Salomon Brothers. the Residential and commercial property now accounts for 37 per cent of bank lending.

Money was also pumped into real estate by savings and loans groups, which had shed almost all the constraints on where they invested their government-insured deposits.

The result was an uncritical eagerness to lend money. "Deals were done on the back of cocktail napkins. Some were signed without the lenders even seeing the property they were financing," says Mr David Gialanella, of Cushman & Wakefield, real estate adviser. "Between 1982 and 1988, there was almost no project that could not have been financed with no equity," says Mr Richard Jennings, director of sales and financing at Landauer, a real estate counsellor.

Tax incentives also played a powerful part. Legislation introduced in 1981, designed to channel money into plant and equipment, encouraged development regardless of demand as buildings became tax shelters. "You could make money with a 25 per cent vacancy rate," says Mr Karl Case, a visiting scholar at the Federal Reserve Bank of Boston. The rules were changed in 1986, but it took several years before the buildings conceived under the act were all completed.

When the 1986 Tax Reform Act deterred domestic investors, Japanese buyers took their place. Driven by trade imbalances, the favourable exchange rates and high land values in Tokyo, Japanese investors put $6.8bn (£3.8bn) into US real estate in 1987.

US pension funds increased their total investment in real estate fivefold to $125bn during the 1980s. Much of this money was put in close to the top of the market, when investors were trying to find a more stable investment medium after the 1987 stock market crash.

As the clamour of investors mounted, the investment market began to lose touch with the fundamentals. Too much money chased too few assets; prices soared even though rising vacancy rates were crushing the prospect of income growth. Deal-making, stripped of analysis, became the motor of the industry. "Deals are my art form," boasted the most celebrated developer of the period, Mr Donald Trump.

Like a game of musical chairs, the music stopped abruptly. The country's move towards recession underlined the extreme imbalance between demand and supply, mounting losses deterred investors and the banks, reeling from the blows to their loan books, turned off the credit.

Demand from occupiers is unlikely to catch up quickly with supply, whatever the extent of the US recession. The US workforce is likely to grow slowly in the 1990s and pressures on the services sector may force an improvement in productivity, resulting in slower growth in the office workforce. Salomon Brothers reckons the US has a 10-year supply of office space.

On the investment side, too, supply has moved way out of line with demand. Developers and investors want to sell property to meet their interest costs, while banks that foreclosed on property are selling it at knock-down prices. At the bottom of the scale, the market is braced for a glut of low-grade property financed by the thrifts, which is now being sold by the government's Resolution Trust Corporation.

Long-term capital sources are shrinking. Disillusioned pension funds and life insurance companies have been withdrawing from the market. Foreign investment also appears to be on the retreat, as falls in property prices round the world persuade investors to focus on home markets. In particular, Japanese investment has been slowed by last year's collapse of the stock market and the poor performance of their US investments.

Even more important is the clampdown on bank lending, which has slammed the brakes on the property industry. "Mortgage money became a commodity. Today *it is not even a question of price*,"

Demand from occupiers is unlikely to catch up quickly with supply, whatever the extent of the US recession

says Mr Craig Hatkoff, managing partner of Victor Capital Group, which advises on restructuring of bad loans.

The explanation for this credit crunch is all too evident. The billions of dollars of provisions set aside by large money centre banks such as Citicorp, Chemical Bank and Chase Manhattan and January's insolvency of the Bank of New England have given banks an aversion to property lending. Their caution has been reinforced by the tough line taken by the regulators.

The clampdown on credit is likely to be long-lived. Mr Rusty Aertsen of the Bank of Boston reckons that the average US developer will be denied funds for 18 to 36 months. Although the bank says it is open for business, its criteria for new loans are daunting.

The credit crunch is widely blamed for the paralysis in the real estate market. In a survey by Arthur Andersen, 88 per cent of the real estate players canvassed saw financing constraints as the main problem facing the industry.

Others, however, suspect that it is more a pricing than a liquidity problem. Salomon's Mr David Shulman points to a wide gap between buyers' and sellers' expectations. "The lack of liquidity represents sellers' reluctance to accept that reality that prices have change," he says.

He believes there will be a fundamental change in investment psyche. Yields – the income to capital ratio – will rise above commercial mortgage rates before the cycle is over for 90 per cent of the market.

Others are less gloomy, believing that inflation will bail out the industry, as it did in the 1970s. "The re-emergence of inflation will translate into rises in real estate," says Mr Chuck Dyer, president of Hawthorne, a pensions manager.

Another hope for the industry is, paradoxically, pinned on the credit crunch. Torto Wheaton Coldwell Banker, a research group, calculates that if speculative construction of office space grinds to a halt, vacancy rates will be cut to single figures by 1995, with significant increases in rent triggered by 1994. "The office property market has the potential for rebound, both earlier and stronger than most analysts have foreseen," it says.

The vulture funds that are gathering would agree. Their goal is to emulate investors like the Reichmann family which made its fortune in the mid-1970s by buying Manhattan offices well below replacement cost at a time when New York was stricken with a fiscal crisis. "In the 1970s, a lot of fortunes were made," says Mr Steve Green, chairman of SL Green Real Estate, a trader based in New York's garment district. "We think we are seeing that time again."

This time, New York is low on the hit list of most investors. Arthur Anderson, the consulting group, believes that Seattle, which is expected to ride out the recession, has the most potential for real estate investment over the next three years, followed by Houston and Dallas, where new construction has been minimal after the collapse in the early 1980s.

But even the most enthusiastic contra-cyclical investor expects to take a long-term view. Although a healthier industry may ultimately result from the current crisis, the recovery is likely to be slow and tortuous.

RENTAL GROWTH (%)

	Retail	Office	Industrial	All Properties
Year to Feb 91	3 9	1.9	5.7	3.5
Quarter to Feb 91	0.5	-0.9	0.6	-0.1
Month of Feb 91	-0.2	-0.1	0.0	-0.1

Investment Property Databank

FT LAW REPORTS

Digest of cases in Hilary term

BARCLAYS BANK PLC v KAPUR AND OTHERS
(FT, January 30)

THE employees, who were Asians of East African origin came to the UK in the 1970s and obtained employment with Barclays. Their contract specified that their past service with banks in Kenya or Tanzania should not count towards their pension entitlement.

They complained of racial discrimination because European employees who joined Barclays at about the same time, were allowed to count their past service towards their pensions. Section 68(1) of the Race Discrimination Act 1976 provided that an industrial tribunal should not consider a complaint unless presented before the end of three months "beginning when the act complained of was done", while section 68(7) provided that ... "(b) any act extending over a period should be treated as done at the end of that period;" and (c) a "deliberate omission" should be treated as done when the person in question decided on it.

The Court of Appeal refused to accept Barclays' submission that the act of discrimination was a deliberate omission within subsection 7(c), done when it decided not to credit them with previous service. Dismissing Barclays' appeal, the House of Lords stated that the pension provisions were a continuing act throughout the period of employment falling under subsection 7(b). To require an employee to work on less favourable terms as to pension was as much a continuing act as to require him to work for lower current wages.

PUNJAB NATIONAL BANK v DE BOINVILLE AND OTHERS
(FT, February 1)

THE bank opened letters of credit on behalf of export company, Esal (Commodities) Ltd, to cover purchases Esal had made for the export of commodities to Sudan. The letters of credit were secured by insurance policies placed by London brokers with Lloyd's underwriters who declined liability when the bank made claims on them, alleging misrepresentation and non-disclosure. In the bank's proceedings the defendants were two brokers and five brokerage firms.

In deciding whether the bank had relationships giving rise to duties of care, Mr Justice Hobhouse held on a preliminary issue that it was clear that the brokers owed personal duties of care to the client in the relevant brokerage transactions. They had been in communication with the bank and Esal on the one hand, and the underwriters on the other. If they were careless in discharging the brokerage function they should be under a liability in tort to the client. They were in effectively the same relationship of proximity to the client as was their employer, the brokerage firm, in so far as they were personally involved and were personally careless.

EAGLE TRUST PLC v SBC SECURITIES LTD
(FT, February 5)

IN ITS statement of claim, the plaintiff alleged that the defendant ought to have known, under a constructive trust, that Eagle's money was applied in contravention of section 151 of the Companies Act 1985. Mr Justice Vinelott stated that it could now be taken as settled law that a stranger could not be made liable for knowing assistance in a fraudulent breach of trust unless knowledge of fraudulent design could be imputed to him so that there must have been something amounting to want of probity on his part. Constructive notice was not enough, though knowledge might be inferred in the absence of evidence by the defendant if it would have been imputed to an honest and reasonable man.

Therefore, in a case of this kind, to make a defendant liable as constructive trustee it must be shown that he knew that the moneys were trust moneys misapplied; or that, in the absence of evidence or explanation by the defendant, knowledge could be inferred. Assuming in favour of Eagle that if the action went to trial it would establish the truth of its allegations and the defendant would adduce no evidence, the action would nonetheless fail. In those circumstances it should be struck out.

STOKES v ENSIGN TANKERS (LEASING) LTD
(FT, February 6)

SECTION 41(1) of the Finance Act 1971 provided that allowance was available to a person carrying on a trade who incurred capital expenditure in acquiring machinery and plant "for the purposes of the trade". The Special Commissioners held that Ensign was not entitled to claim initial allowance under section 41(1).

The Court of Appeal, in allowing an Inland Revenue appeal, stated that the Commissioners correctly asked themselves whether the partnership was trading. They held that as a matter of law, that it was not trading since the "paramount" intention was to obtain a fiscal advantage but that constituted an error of law. If they found as a fact that the paramount intention was fiscal advantage, as a matter of law that was not decisive, since it postulated the existence of some other purpose which might be commercial. The Commissioners had to weigh the paramount fiscal intention against the non-fiscal elements and decide as a question of fact whether the transaction constituted trading for commercial purposes. The case would be remitted for their reconsideration.

THE OLIB
(FT, February 8)

A CHARTERPARTY provided that the shipowners were to have an absolute lien on cargo for freight, demurrage and costs even after delivery. The consignee, Enimont, failed to take delivery of a cargo liable to deteriorate in hot weather. When Enimont sold the cargo on, the owners would not release it until all expenses had been paid. Enimont issued a writ against the shipowners claiming economic duress.

In setting aside service out of the jurisdiction, Mr Justice Webster stated that the parties' agreement was to be governed by English law. If a defendant was brought to the English court against his will, it would apply the conventional test of good arguable case. But if he did not, it was a proper case for service out of the jurisdiction unless the court decided on the material before it that the plaintiff's case was, on the merits, virtually unarguable.

In the present case the shipowners were themselves under pressure and faced liability if they failed to preserve the cargo. Enimont's case was unarguable on its merits.

SHILTON v WILMSHURST (HM INSPECTOR OF TAXES)
(FT, February 12)

MR PETER SHILTON, the footballer, was transferred from Nottingham Forest to Southampton for a payment, *inter alia*, of £75,000 from Forest if he agreed to the transfer. He also agreed to accept £80,000 from Southampton if he played for them for four years.

The Revenue assessed the £75,000 and £80,000 to income tax under section 181(1) of the Income and Corporation Taxes Act 1970. Mr Shilton agreed the assessment so far as it applied to the £80,000, but disputed it so far as it applied to the £75,000. The commissioners held that the payment by Nottingham Forest to Mr Shilton was an "inducement" to him to play for Southampton, and as such was an emolument flowing from the service he was to render to Southampton.

In allowing the Revenue's appeal against a decision, both in the High Court and the Court of Appeal, that the £75,000 was an emolument "for", but not "from" his employment with Southampton, the House of Lords stated that section 181 was not confined to "emoluments from the employer", but embraced all "emoluments from employment". The section must therefore comprehend an emolument provided by a third party, who was not the employer.

Moreover, an emolument could be one paid as a reward for past services and as an inducement to continue to perform services; and second, paid as an inducement to enter into a contract of employment and to perform services in the future. An emolument "from employment" meant an emolument "from being or becoming an employee".

GREAT MARINE
(FT, February 13)

IN A majority judgment concerning a contract for the sale of a ship on the Norwegian sale form 1987, the Court of Appeal upheld the sellers' submission that their obligation was to do whatever was reasonably necessary by way of rectification, repair or renewal to obtain a clean certificate of class from ABS. It was not an independent obligation to make good. The buyers had relied on the sellers' warranty that the vessel would on delivery have her existing class fully maintained free of class recommendations and free of average damage affecting class. The sellers' obligation was to deliver the ship with a clean certificate from ABS which was the contractual measure of quality, the standard to be met. The buyers could not complain if the sellers did no more than was necessary to earn a clean certificate from ABS. Damages should be assessed in accordance with those conclusions.

Aviva Golden

Tractor holds its ground

To the uninitiated, a tractor is an agricultural workhorse with *small* wheels at the front and big wheels at the back. But British researchers are hoping to change that.

Helped by funding from the UK Ministry of Agriculture, the Silsoe Research Institute near Bedford has designed a rubber-track system which *replaces* the rear drive-wheels. The design combines the improved traction and low ground pressure of a conventional crawler with the on-road capability of a wheeled tractor.

Farmers need good traction for ploughing but also want low compaction for spraying or fertilising. The light-weight rubber *tracks are no wider* than a standard tyre, allowing in-the-furrow ploughing, but the ground contact patch is twice as long, spreading the load and increasing the tractor's pulling power.

The design has not yet reached final development stage. Initially, the aim is to fit the track to existing tractors in place of the rear wheels, offering a weight advantage over rival systems where the track is placed over the wheel.

Ultimately, however, the system could lead to a fundamental redesign of the tractor. As the track takes up significantly less space than the conventional rear wheel, the cab area *could* be increased without adding to the overall width.

The heart of the system is a sprocket, mounted on the existing axle flanges, through which the track is positively-driven to avoid slippage. To provide suspension, the tracks incorporate hydraulic dampers and air springs.

*Mike Dwyer, head of the ter*ramechanics group in Silsoe's mechanical engineering division, concedes that current conditions in the agricultural equipment industry may make it difficult to interest manufacturers in the idea. But, he says, "it's not all doom and gloom".

Dwyer scotches the idea that *the idea will be too radical for* farmers to accept. "There's a sizeable number of farmers who are true businessmen. They'll buy it if they see a return on their investment."

Andrew Baxter

Computer makers will next week announce an agreement on standards, writes **Louise Kehoe**

Gibraltar's peace treaty

Perplexed by the standards muddle

Twenty computer and computer software companies, including *some of the world's* largest, will next week launch an initiative to establish common hardware and software standards for the next generation of microprocessor-based computers ranging from desktop personal computers to multi-processor systems.

Leading the industry coali*tion, unofficially known as the* Gibraltar Group, are Compaq Computer, a leading personal computer manufacturer; Digital Equipment, the world's second largest computer maker; Mips Computer, a developer of high-performance Reduced Instruction Set Computing (Risc) chips; Microsoft, the leading supplier of personal computer *software*; and the Santa Cruz Operation, a developer of Unix software. Other members include Olivetti, Wang, Pyramid Technology, NEC and Silicon Graphics.

Members of the industry coalition say *that* they aim to "unify the industry" by estab*lishing standards that* will combine software and hardware technologies from personal computers, computer workstations and more powerful multi-processor computers.

Currently, the computer industry is split into factions that support competing "open systems" software standards aimed at making it easier to transfer software and data between different types and brands of computers. The industry is also divided between proponents of "open systems" and those whose interests lie in proprietary architectures that tie users to a single computer vendor.

These industry battles, which have raged for the past three years, have served mostly to confuse potential buyers rather than to make it easier to get different types of computers to work together. The goals of the Gibraltar Group are, however, more narrowly defined than those espoused by earlier industry *consortia*.

The new coalition is focused specifically upon creating standard microprocessor-based computer architectures analogous to the standards that created the personal computer boom in the 1980s.

Compaq, Microsoft, Digital and their partners aim to *develop two new computer* operating systems:

- A "unified" version of Unix, the increasingly popular computer operating system. This new version of Unix would combine OSF1, the version created by the Open Software Foundation, and the *Santa* Cruz Operation's version of Unix, designed to run on microprocessor systems.
- A new version of Microsoft's OS/2 personal computer *operating system, currently* under development, that will incorporate many of the features *of* Unix while maintain*ing links with today's wealth* of personal computer programs.

These new operating systems will be designed to run on two hardware "platforms" – the Intel microprocessors that currently dominate the personal computer market and Mips Computer's latest Risc *chip, the R4000, one of several* contenders in the workstation market battle.

This combination of hardware and software "standards" represents a potentially powerful threat to established market leaders. Coalition members have one competitor in common – International Business Machines. For IBM, any industry group that attempts to seize the right to establish standards is a challenger.

The Gibraltar *Group's* challenge to IBM is, however, blunted by the fact that IBM has direct access to Microsoft's *latest personal computer operating* system developments, through its joint technology development agreements with the software company. IBM is also a founding member of the Open Software Foundation, and therefore *gains* access to OSF1, the version of Unix that will form the basis of the Gib*raltar Group implementation.*

Many view the industry coalition's announcement as a bid to unseat Sun Microsystems, the market leader in Unix workstations. Sun's Sparc chip is in direct competition with the Mips Risc chip. Officials at Sun are not, however, perturbed by the pending Gibraltar Group announcement. *They point out that* Sparc currently has a 66 per cent share of the Risc Unix market and that Mips Computer's 4000 is only a "paper product" that has yet to be manufactured.

It will be two to three years before computer products result from next week's announcement, Sun predicts. *For Intel, whose microproces*sor chips dominate the personal computer market, the coalition's endorsement of the Mips Risc chip must come as a disappointment.

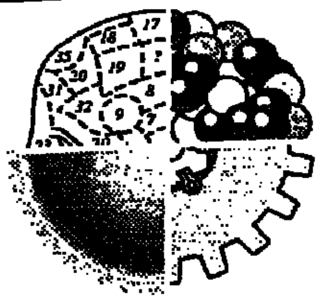
Compaq, one of Intel's best customers, will now be splitting its energies between developing new Intel-based comput*ers and those based upon the* Mips Risc chips. Intel can take comfort, however, in the prospect of a broader market for its current and future microprocessor products to be created by the promised availability of more powerful computer operating systems for commercial microprocessor-based computer systems, *even if it* must share that market with Mips.

For Microsoft, which currently holds a monopoly in personal computer systems software, the new consortium represents an opportunity to promote its future product – a new version of OS/2 variously known as OS/2 3.0 or "NT".

Microsoft revealed in January its plans to develop a "portable" version of OS/2 that would incorporate Windows as well as key features of Unix. At the Gibraltar Group announcement, Microsoft will reveal that it has chosen the Mips R4000 Risc chip as the first alternative "platform" to the Intel microprocessor family.

No serious contender in the microprocessor-based computer market, *whether* it be an Asian personal computer clone builder or a US manufacturer of multi-processor computers, can afford to ignore next week's Gibraltar Group announcement. Many industry executives remain sceptical, *however, about the ability of* this new industry coalition to deliver upon its promises. Computer users, jaded by the false hopes raised by earlier computer industry consortia, may also have doubts.

It is clear to many that the creation of new operating systems is not the answer to *solving the complex problems* of making installed and new computers work together. Members of the Gibraltar Group insist, none the less, that this industry group will deliver products that will make computer users "winners".



WORTH WATCHING

by Della Bradshaw

A little lesson in organisation

ELECTRONIC organiser and portable computer manufacturer Psion has developed a hand-held unit for use in industrial or commercial applications for tasks such as stock-taking, quality control monitoring or for looking up prices and information.

Similar in shape to the *Psion organiser, the HC range* of hand-held units can be used with a range of peripherals such as bar-code readers and scanners. Each unit has a 16 bit processor, LCD screen and loudspeaker to broadcast digitally recorded speech. It is multi-tasking and can communicate back to computer systems which use IBM PC, Apple Macintosh or Unix protocols.

Psion believes the market for such hand-held machines is about to take off and points to figures from industry analysts Dataquest to prove the point. These show that the sector is growing faster than either *the laptop or notebook* market – at a rate of more than 90 per cent a year. From worldwide shipments of 398,000 units in 1990, Dataquest predicts the world demand will be for more than 5m units a year by 1994.

Getting a leg up on micro fibres

SMOOTHER, silkier and better-fitting hosiery is the promise of a micro yarn which will find its way around European legs by the autumn.

Although micro fibres – in which each filament is less than a sixtieth of the thickness of a *human hair – have been* used in sportswear and fashion garments, they have been *difficult* to use in hosiery because the yarn for stockings and tights needs to be incredibly light, and so is difficult to mass-produce.

ICI Fibres, of Harrogate, has overcome that problem through improvements in both the polyamide fibre and the production control techniques for making it.

Computer with a life of its own

AN AMBITIOUS project to mimic a living system is being attempted at IBM's Watson Research Centre, at Yorktown Heights near New York, writes David Fishlock.

The technique is to use computer models of the living system in order to design better experiments. It should prove faster than either in *vivo or in vitro* experiments, and permit tighter experimental controls.

The system which Philip Selden, a senior scientist with the physical sciences department, has chosen to model is the immune system. Because it is one of the body's most complex *systems, Selden has simpli*fied the challenge by concentrating on the core of the mechanism, the cellular immune system, which is responsible for the specificity of bodily reponses.

His model is based on three kinds of cell – B cells, T cells and A cells – together *with the thymus, the gland* which "prevents your immune system from killing you". It mimics the action of these cells together with antigens and antibodies.

Crackdown on speedy drivers

SPEEDING drivers need to be wary. For a Swedish company, Sensys Traffic of Gävle, has developed a traffic radar system which can register the speed of a car to within 1 per cent accuracy.

The secret of the system, developed initially for the Swedish police, is that it uses digital technology to read the vehicle speed and process the signals. Because the signals can be isolated and analysed, the radar system can check the speed of one vehicle as it is overtaking another – previously the two signals would have been muddied.

This makes the system ideal for use on motorways, where the speed of several cars can be logged at once. The manufacturers also believe that because of the *degree of accuracy it will* result in more successful prosecutions.

Shots fired at chilled food

SAINSBURY'S, the British supermarket chain, is conducting experiments on a "laser gun" which will help the company ensure that chilled foods are stored at the correct temperature, both during transportation and on the supermarket shelves.

The gun, developed by Raytek of Santa Cruz, California, and sold in the UK by Calex Instrumentation, of Leighton Buzzard, uses an infra-red sensor to detect the correct temperature of the food.

The sensor measures radiation in the infra-red spectrum, which is emitted by everything, including food. The higher the temperature, the more radiation is emitted. If the food is above the minimum temperature – the gun can be set to trigger at different temperatures *for different* foods – the unit "beeps" and a light flashes.

In addition, the gun emits a thin, red laser *light* so that if any food is suspect the beam can direct the employee straight to it – right down to the individual sausage.

Time to savour the flavour

DOES your chewing gum lose its flavour on the bed-post overnight?

The answer could be a patent just granted to Columbia Laboratories, of Hollywood, California for the sustained release of flavour ingredients, so the taste remains for several hours rather than minutes.

The technique involves dispersing the flavouring agents into a continuous polymer film, which is then added to the gum base. The rate of release of the flavouring is controlled through the selection of different polymers.

The technology could also be used for gum which delivers drugs to treat gum disease as well as delivery systems for systemic drugs.

Contacts: Psion: UK, 071 262 5580. ICI Fibres: UK, 0423 722000. IBM: US, 914 945 3000. Sensys Traffic: Sweden, 26 17 23 50; UK, 0793 816047. Sainsbury's: UK, 071 921 6000. Raytek: US, 408 458 1110. Calex Instrumentation: UK, 0525 373178. Columbia Laboratories: US, 305 964 6666.

Our Own Kind

BUSH THEATRE

There can be few more dangerous denials of humanity than the politics of racial purity, and few more treacherous. As Roy MacGregor so rightly points out in his deeply sinister first play *Our Own Kind*, racism is not simply the preserve of the thugs on the soccer terraces. They are just the foot soldiers, the conspicuous and ugly face of an evil that lies deep in the collective conscience.

MacGregor gives us the yobbish archetype of racial violence; indeed he constructs his plot around Steve, a vicious inadequate who vents his sexual frustration in the casual, drunken murder of an Asian on a canal path. But Steve is just an accident waiting to happen – an irrelevance in the grand scheme of political manipulation and public naivety. His capture and imprisonment are less significant than the passions aroused by them; his crime is merely symptomatic of underlying disease.

The play is set on an estate in Bristol, where "white trash" blame black neighbours for their disadvantages. It is classic stuff, observed with a pert and melodramatic precocity by schoolgirl Lorna (a moonfaced Charlotte Coleman), whose own family becomes ensnared in what she perceives as a monstrous evil. Her sister Sylvie is Steve's fiancée, while her father, a bus driver, witnesses the killing on his way home from a chess evening at the local club.

Neither could have foreseen their involvement, and yet their situation makes it inevitable, forcing both in their different ways to confront their own demons. He tries to blot out what he has seen; his failure to do so brings his family face to boot with the outrage of those who believe in protecting "our own kind". She tries to pretend that her engagement has a future, because marriage is the only future she has ever envisaged. Both are lonely, frightened and not very brave.

MacGregor draws these ordinary characters with an immense compassion which is picked up in Dominic Dromgoole's first class production: Gary Love quite brilliantly catches the vulnerability behind the barbarity of the unlovely Steve, while Jane Horrocks and Brian Protheroe push far beyond the stereotyped no-hopers that Sylvie and her dad first seem to be.

But the coup de grace is the personification of the National Front in the smooth and infinitely plausible character of Daines – manipulator of the rabble and fixer of consciences. There is a frisson of recognition as one realises that the seeds of social destruction might well lie in someone much like Kevin Whateley, with his sports jacket, club tie and everyday face; someone ruthless, smart and affable who can block every moral compunction with apparently irrefutable logic.

The play has its faults – a certain structural uneasiness, and an ending which, without giving too much away, seems to drift into precisely the fey unreality that elsewhere is so cleverly avoided. But it marks an impressive playwriting debut for a writer of wit, eloquence and a considerable political intelligence.

Claire Armitstead

Luscious spread from the Middle Ages

Patricia Morison admires the treasure of Saint-Denis at the Louvre

For the first time since the French Revolution the treasure of the Benedictine Abbey of Saint-Denis has been brought together, a thought to make any lover of the middle ages feel faint with anticipation. Dagobert's Throne, Abbot Suger's porphyry eagle, the so-called Sword of Charlemagne and Horn of Roland... if those are names which thrill, then you cannot miss *Le Trésor de Saint-Denis* at the Louvre. The exhibition runs until June 12 and has been mounted with assistance from United Technologies.

In a perfect world this exhibition would not be in a museum but in Abbot Suger's 12th-century basilica. Today, the church is stranded in the grim suburb of Saint-Denis, its twin great towers fleetingly visible from the motorway heading north from Paris. Burial-place of the French kings, Saint-Denis is, I promise you, worth the visit.

As for the patron saint of the abbey and the French monarchy, he stands outside the exhibition in the form of a headless statue in stone. In about 250 AD St Denis was executed on the hill of Montmartre. Undeterred, he picked up his bloody head and walked north to the field where he lay down for the last time. The martyr's grave, a place of supernatural wonders, soon attracted pilgrims and over it a pious 5th-century virgin called Genevieve built the first church.

Thanks to the fantasies of the monks, the reputation of St Denis grew by leaps and bounds, above all in the 9th century when he was artfully confused with a Greek bishop converted by St Paul. Kings and aristocrats wanted to be buried in the presence of a powerful saint who could smooth their passage to heaven. When Emperor Charles the Bald died in Italy in 877, his body was carried back to lie beside the saint. For me, one of the most evocative items in the exhibition is the large Roman bath-tub of porphyry, which is believed to have been for many centuries the emperor's coffin.

The monks of the royal abbey amassed one of the most spectacular treasuries in Western Christendom. But even the most costly reliquaries were simply so much bullion, and monks and kings alike were capable of taking a hard-nosed view of their sumptuous possessions. In the 9th century the monks used treasures to ransom an abbot from the Vikings. In the 16th century they sold a massive reliquary of St John to pay the butcher's bill.

At the Revolution the citizens of Franciade (as Saint-Denis was renamed) threw what remained of the treasure onto a cart and carried the loot along to the authorities. The commissioners made their choice of "artistic" and historic pieces and the rest was sent to be melted down. The yield, however, was meagre because many treasures turned out to be wood thinly covered with precious metal. The jewellers of Paris were not excited to be recycled Dark Age gemstones.

In the next decades there were more thefts and losses, but at least the bulk of the Treasure of Saint-Denis remained in Paris, divided between the Cabinet de Medailles, part of the Bibliothèque Nationale, and the Louvre. And so it remains, although after seeing this splendid but poignant exhibition, one wishes for the impossible. Could these two venerable institutions ever agree to let the treasure be exhibited permanently together?

For my taste, it is the objects which date from the 7th to the 12th centuries which have a quite hypnotic power. There survives just one filigree fragment of the great cross made in the 7th century by the very hands of St Eloi, patron saint of goldsmiths. And then there are the stupendous gifts presented by Charles the Bald. No doubt with them went his fervent prayers that, against all the odds, the saint would help him to victory over the Vikings. Looking at the manuscripts he gave, with their bindings of carved ivory, among the loveliest products of the Carolingian Renaissance, it is all the more striking to recall the darkness gathering over the empire.

Many of the objects in the Treasury incorporate antique luxury goods. The chalice which Charles gave was an antique vase once used for libations by the worshippers of Dionysus. On the so-called "Escrain de Charlemagne", an elaborate kind of coffer made for the altar of St Denis, was a magically pretty Roman intaglio. The coffer was destroyed but the gem survives, with its exquisite portrait of the imperial princess Julia, beautiful despite her heavy chin. What a contrast it makes with the British Museum's rock-crystal pendant with its 9th-century engraving of the Crucifixion, another gift for St Denis.

From Washington comes the loan of Abbot Suger's extraordinary fluted chalice of sardonyx which he had set in a massive silver-gilt mount. From Cincinnati comes the other splendid piece to have escaped from France, the Taft Madonna. This is an exquisitely beautiful 13th-century ivory which we can here enjoy reunited with her attendants, two angels long ago detached to make a reliquary for Rouen cathedral.

And so we pass from object to object, almost every one laden with historic associations. Quite how much the non-medievalist, non-Francophone visitor, will make of this, I am not sure. For all the gleaming gold and the sparkle of gems, I felt a little too much had been asked of the objects themselves, some beautiful, some charming, such as the 11th-century chesspieces, but many rather alien to modern sensibilities. Would it not have been better to challenge a really good designer to evoke the potent aura of the ancient abbey. Even something as simple as the shadow cast by a Gothic arch would have added a touch of drama. For the Treasure is not museum fare, but *sacred* treasure, the vestiges of a thousand-year devotion to God and his saint.

An ivory knight: piece from an 11th century chess set

Hamlet

THEATRE ROYAL, BRISTOL

At Bristol's Theatre Royal, a portrait of King Hamlet, in a ceremonial uniform that might date from the 1860s, is draped in black and taken down from the wall before we move to the Danish battlements, where the sentries carry rifles. King Claudius wears a more up-to-date kit, including a peaked cap that might have come from Gieves. The castle, the battlements, even the burial-ground, are ingeniously invoked by Bunny Christie, using arrays of white flats containing practical doors, that establish locations but without descriptive detail. The Ghost usually arises through a trap, and is such a setting, why not? There is little in the performances under Paul Unwin's direction, though, to suggest anything much later than the beginning of the 17th century.

Iain Glen's Prince is madder than common in the current fashion. Always a bit hysterical in his behaviour, he begins at once to show eccentricity after his talk with the Ghost (Peter Copley), and later is positively self-conscious about it – "my wit's diseased" is accompanied by gestures around his skull. When he tells Polonius (Bernard Gallagher, very good) that he knows him for a fishmonger, he throws his coat-tails over his shoulders, and later, when the old man is on about the players, he tries to climb up the wall. He is very rough with women; he seizes Ophelia round the throat, and throws his mother to the floor.

The general speaking of the company suggested to me that they should have spent more time on the punctuation. Hugh Ross's Claudius puts a full point in almost every line in his first scene, though he grows more expressive later. Hamlet's "And smelt so? Pah!" comes out as "And smelt so par." There are some accentuations, too, that give dubious meanings. On the credit side, Diane Fletcher is a fine Gertrude, youthful in looks and behaviour to be mother of the 30-year-old Hamlet. Bernard Gallagher sounds as if Polonius's occasional silliness is put on for effect, for in general he is wise and dignified. The grave-diggers' duo is amusingly done by Peter Copley and Peter Russell.

Ophelia is a nice steady girl in Claire Hackett's hands and steady still after her brains have gone, singing her ditties to new tunes. James Purefoy as her brother Laertes is a steady lad too, hardly in need of his father's sensible, and sensibly-given, advice, and quickly won over by the King when he challenges him with a handgun.

There are a fair number of cuts, but in spite of them the play runs for three hours and three-quarters. It is never dull for a moment (how could *Hamlet* be that?) but is never very exciting either.

B.A. Young

Iain Glen: a madder than usual Hamlet

Rod Stewart

WEMBLEY ARENA

In Peckham Rod Stewart would probably be described as a plonker, a Jack-the-Lad who never quite managed to grow up to become John-the-Man. At 46 his life seems bounded by long legged blondes, playing football with his mates, and wiggling a large bottom preposterously at 12,000 undemanding fans. Yet somehow he came good at Wembley on Monday night.

The no-no's were still there, including a sickly green suit, a tendency to harangue the crowd with soccer chants, a misty eyed wimpishness for Scotland as if he were exiled in LA against his will, and pointless streaks across the stage to show he still has puff. It really is hard to take this seriously from a man whose hair style is older than his wife.

But at a time when most super stars only tour to plug their latest CD Rod Stewart was in a benign, nostalgic mood, looking back on over 20 years of pop achievement, and out to please. His song book is quite outstanding. He picks the work of others well – "The first cut is the deepest" and "Some guys have all the luck" were given joyful airings, and he writes well – the self parodying "Do ya think I'm sexy" and "Maggie May" will stay classics – and his voice is the authentic distillation of sex and drugs and rock and roll.

Everything is forgiven as he sits in a row with the gang playing the same blues that he belted out under the bridges of Paris as a young hippie in 1963. And he can laugh at himself writing a Western song like "Mandolin wind" when just a Muswell Hill Cowboy in 1969.

The music out-punches the image every time and watching Rod Stewart perform is to admire an old pro working an audience. You might distrust his sucker sentimentality, songs like his latest hit "Rhythm of My Heart" are as genuine an *evocation* of Scotland as haggis and sporrans, but when he gets into the belters he is incomparable. Even tossing the mike stand into the heavens is a forgivable slice of swank.

He has done it all, heard it all, and will see off his critics. He hardly turned a hair when the waitress, interrupting his act with another drink, sat on his lap, stroked his hair, and turned into a be-wigged and bewitching Elton John. With no competition these days from the younger crowd the old troupers can amuse themselves, secure in the conviction that for a Wembley audience nothing beats nostalgia.

Antony Thorncroft

Hagen Quartet

QUEEN ELIZABETH HALL

The Hagens drew attention to themselves nearly a decade ago, first by winning key competition prizes (notably Portsmouth in 1982) at an impressively tender age, and then by following them up with a much-praised Wigmore Hall debut concert. The group – three Hagen siblings from Austria plus the second violinist Rainer Schmidt from Germany – have created an international following, and a collection of recordings, since then; after a long-ish absence they returned to London on Wednesday.

It was a disconcerting recital. On the evidence presented, something seems to have gone wrong – or at any rate, not wholly right – with the Hagen developmental process. The dewy freshness and sweetness of the playing, characteristically Austrian, were still recognisable in their Beethoven, Mozart, and Verdi; euphonious blend of tone is a group trademark (though in fast-moving figuration the leader, Lukas Hagen, tends to mar it ever so slightly with patches of "off" intonation). But when the inner energies and passions of the music are consistently slighted, as they were in all three performances, euphony can come to seem suspiciously like blandness.

Beethoven (Op. 18 no. 2, in G) preceded Mozart (the "Dissonance", K465), even though the printed programme had promised us the reverse order. (Why no announcement?) The former is a work of intentionally Haydn-like wit; since the Hagens found no spring in the rhythms, no drama in harmonic change, no emotional shading in melodic accent and nuance, this robust good humour was no more than faintly suggested. The latter is Mozart at his most sublimely unsettling, full of erotic tensions expressed (as in *Così fan tutte*) in the musical language of comedy: adult music, indeed, played here as if by children.

It was bold of the Hagens to offer Verdi's E minor, his single exercise in quartet-writing, after the interval. A still grossly under-appreciated masterpiece, it requires – but also greatly rewards – champions. Not much championing here, alas: as in the Mozart, the players showed only their inexperience in re-scaling its operatic references in the terms and manners of chamber music. The performance sounded good, but meant sadly little.

Max Loppert

Rian de Waal

WIGMORE HALL

This young Dutch pianist has the expert fingers, and the easy command of the whole keyboard, to get round Leopold Godowsky's most extravagant pieces with impunity. That is uncommon, not least because it takes such a lot of hard work. Godowsky was a master-pianist (revered especially by performers – the public found him impressive but chilly) who liked to write fantastic elaborations upon other composers' easy pieces, songs, studies and what-have-you. Earl Wild and the late Jorge Bolet have been among his last tenacious disciples, insisting that the formidable pianistic invention is its own reward even when his musical idiom is pure, purposeless Viennese-decadent.

A few years ago I was delighted by a de Waal recording of Godowsky's "Symphonic Metamorphoses" on the evergreen Strauss waltz, "Artist's Life and Loves". On Wednesday that was much his best performance (he made one prudent cut, as before, but nobody ever attempts the whole damned thing): he preserved the essential lilt even in the most densely overwritten passages – the hardest thing to bring off – and planned his contrasts well.

One had to admire it. Yet his other Godowsky – the grand, unfamiliar Passacaglia on the opening tune of Schubert's "Unfinished" Symphony, and three transcription-fantasies on Schubert songs – really offered less than met the ear; or rather, perhaps, too few of Godowsky's graces *did* meet the ear. De Waal is a sensible musician, but for all his outstanding competence he is a modest one, disinclined to flamboyance or elegant preening (nor, in fact, to the ultra-scrupulous pedalling needed for woozy, deliquescent harmony). Without that, Godowsky's fantastications are just upholstery; to make them gleam, there is no substitute for a shamelessly brilliant narcissist in love with his instrument.

Besides Godowsky, de Waal's cleverly designed programme featured Schubert. Much the same comments were invited as by his Godowsky song-versions. In the Impromptus from D. 935 there were some passages of penetrating charm, and some others which missed altogether the pianistic magic they invite; and the "Wanderer" Fantasy – not a subtle construction, for all its merits, but one plainly intended for hefty virtuoso delivery – sounded tasteful, efficient and pedestrian.

David Murray

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

The Frankfurt Opera reopens tomorrow, more than three years after the theatre was gutted by fire. The fire – two weeks after Gary Bertini opened his first season as director – was the worst disaster to befall an opera company since the war. More problems followed: Bertini was never able to shrug off criticism of his artistic policies and long absences, and his resignation last December has cast a cloud over the company's return to its home. The opening production is Die Zauberflote, staged by the Vienna-based producer Wolfgang Weber and conducted by Marcello Viotti.

Next Thursday, the annual festival in the rococo theatre at Schwetzingen, near Mannheim, opens with the world premiere of Manfred Trojahn's opera Enrico, based on Pirandello's play Henry IV. The production, staged by Peter Mussbach and conducted by Dennis Russell Davies, will receive three performances at Schwetzingen, before being shown at the July opera festival in Munich. The Schwetzingen Festival continues until June 26 and includes a production of Entfuhrung opening on May 1.

Following its return to London from Washington, the Royal Ballet opens a Spring season at Covent Garden on Wednesday. Balanchine's Agon returns to the repertoire, together with Frederick Ashton's A Month in the Country and Kenneth MacMillan's Requiem, set to Faure. Sylvie Guillem is due to dance in the Ashton work on April 18 and 22. The season, which runs until the beginning of June, features the world premiere of David Bintley's full-evening Cyrano on May 2.

London Contemporary Dance Theatre's eight-day spring season opens at The Place tonight. Martha Graham's Lamentation from 1930 and new works by Kim Brandstrup, Liat Dror and Nir Ben Gal are featured in the programmes, along with Richard Alston's Something To Do (1969), Jane Dudley's Harmonica Breakdown (1938) and Robert Cohan's The Forest (1977). Later this month, the company goes on tour to Oxford, Northampton, Canterbury, Glasgow and Newcastle-upon-Tyne.

Byzantium, Michael Tippett's major new work, will be premiered in Chicago on Wednesday by Jessye Norman and the Chicago Symphony Orchestra conducted by Georg Solti. The concert will be repeated the following day in Chicago and on April 15 and 18 at Carnegie Hall in New York. Solti will also conduct concert performances of Otello in Chicago on Sunday and next Friday, and in New York on April 16 and 19.

EXHIBITIONS GUIDE

AMSTERDAM
Rijksmuseum A Century Apart: a survey of 19th century paintings from the museum's own collection, with examples of work by leading members of the Hague School, also Courbet and Corot. Ends June 30. Also Chinese Painting: scroll paintings and album leaves on paper and silk by Chinese painters from the 16th to the 19th century. Ends June 20. Also Dutch Drawings from the Collection of Maida and George Abrams: 115 drawings mainly from the early 17th century, including works by Rembrandt. Ends April 28. Closed Mon
Van Gogh Museum Dutch Painting 1880-1895, with 178 works tracing the artistic reforms pioneered by the generation after the Hague School. Ends May 26. Daily
Stedelijk Museum Paintings and drawings 1974-90 by the American artist Agnes Martin (b.1912), often associated with the New York abstract expressionists and known for the reductive character of her work. Ends May 12. Daily
BASLE
Museum fur Gegenwartskunst Rosemarie Trockel (b.1952), 170 drawings illustrating the German artist's gift for ambivalence and gentle provocation. Ends June 17. Closed Tues
BERLIN
Museum für Moderne Kunst From Expressionism to the Resistance: Art in Germany 1909-1936. First showing in Europe of the Marvin and Janet Fishman Collection, tracing the development of Expressionism and the reaction against it in the Neue Sachlichkeit. Ends April 28. Closed Mon
National Gallery Anselm Kiefer: 58 works by the German artist (b.1945) drawn from collections worldwide, including expressionist paintings and monumental steel sculptures, voicing Kiefer's preoccupation with war. Ends May 20. Closed Mon
DUSSELDORF
Kunstmuseum Albrecht Dürer: 50 paintings and drawings by the German master from the period 1485 to 1526, with examples of his work in Venice and the Netherlands, together with works by his contemporaries. Ends May 5. Daily
FRANKFURT
Jahrhunderthalle Hoechst Hans Arp and Sophie Taeuber: abstract and surrealist paintings, drawings and wood sculptures, representing the best of the Swiss couple's work from the 1930s and 1940s. Ends April 21. Daily
Schirn Kunsthalle From Lucas Cranach to Caspar David Friedrich: 52 paintings by German artists from the 16th to the 19th century, on loan from the Leningrad Ermitage. Ends June 9. Also Walter Schmogner: Magical Spaces, a collection of recent paintings and drawings by the Austrian artist (b.1943) best known for his book illustrations. Ends May 5. Daily
Stadtische Galerie im Stadel Peter Cornelius: Drawings for Goethe's Faust, including the original 12 drawings from 1810-16, together with sketches by Cornelius and Faust-illustrations by other artists. Ends May 20. Daily
LEIPZIG
Museum der bildenden Kunste The Visionaries: paintings by five modern Austrian fantasists including Ernst Fuchs and Rudolf Hausner, which explore the unconscious, the scurrilous and the humorous, and represent a school which until recently was banned in east Germany. Ends May 5. Closed Mon
LONDON
Hayward Gallery The Twilight of the Tsars: Russian Art at the Turn of the Century, with 500 exhibits from Soviet galleries. Ends May 19. Daily
Royal Academy The Buhrle Collection: Impressionist and Old Master paintings. Ends April 14. Daily
Tate Gallery Max Ernst: centenary retrospective of the German-born Surrealist. Ends April 21. Daily
LUGANO
Villa Favorita Early Italian Art: 120 examples of Italian 14th and early 15th century painting from collections in Switzerland and Liechtenstein, focusing on Gothic and early Renaissance art from Florence, Siena, Bologna and Rimini. Ends June 30. Closed Mon
MADRID
Museo Nacional Centro de Arte Reina Sofia Markus Lupertz (b.1941): major exhibition of work by leading member of Germany's Neue Wilder group. Ends May 6. Also Masters from the Guggenheim Collection: 125 paintings and sculptures representing the main movements in 20th century art. Ends May 13. Closed Tues
MARTIGNY
Fondation Pierre Gianadda Chagall in Russia: 40 oils and 150 drawings and watercolours from Soviet museums and private collections. The majority, including seven panels of decor for Moscow's Jewish Theatre, were until recently hidden from the public eye. Ends June 9. Daily
MUNICH
Kunsthalle der Hypo-Kulturstiftung Marc Chagall: major retrospective including 111 paintings and four wall tapestries from American and European collections, with examples from all periods in the artist's life. Ends June 30. Daily
Villa Stuck Sculpture and Space: abstract sculpture and other examples of concrete art by Max Bill (b.1908) and eight other established artists from Germany, Switzerland and Scandinavia. Ends April 28. Closed Mon
NEW YORK
Brooklyn Museum Alfred Bierstadt: 74 works by the 19th century American landscape painter. Ends May 5. Also Monet and his Contemporaries. Ends June 3. Closed Tues
Metropolitan Museum of Art The Fauve Landscape: Matisse, Derain, Braque and Their Circle, with 125 works showing the vibrant quality of landscape painting in France in the first decade of this century. Ends May 5. Closed Mon
Museum of Modern Art Liubov Popova: 55 paintings and 60 works on paper by the early 20th century Russian avant-garde artist. Ends April 23. Also Art of the Forties. Ends April 30. Closed Wed
PARIS
Musée Rodin Camille Claudel: 80 sculptures, among them several versions of the waltz with figures swirling in art nouveau movement, are included along with 20 paintings, engravings and drawings – representing virtually the complete oeuvre of Rodin's disciple and tragic lover. Ends June 20. Closed Mon
Louvre, Pavillon de Flore Joos van Cleve: an exhibition showing the Italian influences on the Flemish painter, who became a master in Antwerp in 1511 and visited Genoa around 1515. Ends May 27. Closed Tues
Louvre (entry through the Pyramid) Treasures of Saint-Denis: the 60 remaining ornaments, ivories, precious manuscripts and coronation regalia from the collection of the Abbey of Saint-Denis, which was dispersed by the French Revolution. Ends June 17. Closed Tues
VENICE
Palazzo Grassi The Celts: a major exhibition with more than 2,200 works from museums around the world, providing archaeological and scientific documentation of the evolution of the Celtic people. Ends December 8. Daily
VIENNA
Albertina Jean-Auguste-Dominique Ingres (1780-1867), 61 drawings and oils from the Ingres Museum in Montauban. Ends April 28. Daily
WASHINGTON
National Gallery Art for the Nation: 320 works donated for the gallery's 50th anniversary, including Cezanne's Boy in a Red Waistcoat and paintings by Jan Brueghel the Elder, Frans Snyders, Bellini and Toulouse-Lautrec. Ends June 16. Daily
ZURICH
Kunsthaus From Leibl to Pechstein: drawings by 10 German artists around the turn of the century. Ends April 21. Daily

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Keeping to the Basle ratios

WHEN RECESSION bites, people naturally cast about for culprits. One that is frequently mentioned is the bank capital regime which was devised two years ago by the Basle-based Bank for International Settlements.

This regime was intended to strengthen the world banking system by obliging leading banks to carry more capital for a given amount of lending. Its critics, however, have blamed it for constricting the banks' ability to lend, and thereby heightening the danger of a credit crunch.

This claim has a beguiling logic to it, particularly in countries where the air is darkened by recession, like the US and the UK. Loosen the Basle regime, it is said, and the renewed flow of credit will provide the necessary oxygen to revive economic activity.

But this claim needs to be treated with some caution. There is an equal danger that what was originally intended to be a prudential measure might be corrupted into a particularly ill-suited tool of economic management.

It is not clear, to begin with, that a credit crunch exists in the sense that creditworthy companies are unable to borrow. Certainly, little evidence of such a crunch exists in Europe or the Far East. The picture is more patchy in the US, where the difficulties of particular banks or regions have hit the local availability of credit, notably in New England. In addition, one particular industry, property, finds it exceptionally difficult to borrow. But the evidence would need to be very much more convincing than at present before there was a case for even reconsidering the role of the Basle regime.

Credible tools

If the Basle capital ratios are to have any credibility as a discipline for the international banking system, they must be above manipulation by those seeking to achieve merely short term economic goals. After the worrying record of banking failures and losses in the 1980s, the efforts of those in authority should be directed towards strengthening banks, particularly when recession is adding further stresses of its own. As the chairman of the Basle Committee said, you do not relax automobile standards in stormy weather.

One might even argue that a relaxation of the regime would be futile anyway because the financial markets would still measure individual banks' ratios against the present Basle yardsticks, and would penalise those banks which were found wanting.

Improvements possible

At best, supervisors at national level might be able to use some leeway to delay full implementation of the ratios (which are being phased in by 1992). As the US Federal Reserve has shown, there are other ways of taking the pressure off banks by, for example, reducing reserve requirements.

But if no clear case for all-round relaxation exists, there is certainly scope for improving elements of the regime. In particular, as presently designed it contains an incentive for banks to lend to riskier customers. This is because it obliges banks to apply the same amount of capital to a Triple A rated blue-chip company as to a back-street business. The temptation is, therefore, for banks to seek out the higher yield available on loans to the latter class of borrower.

This bias is ironical, if not *absurd, for a regime that is* supposed to instil greater soundness in the banking system. A further point: when the governor of the Bank of England spoke of the need for controls over mortgage lending earlier this week, he omitted to mention that the Basle regime also contains an in-built bias in favour of mortgages: loans secured on residential property require only half as much capital as commercial loans.

The members of the Basle Committee – who have been lobbying hard against calls for a relaxation of the regime – might employ their energies more profitably by addressing these anomalies. The Basle regime is bringing greater financial discipline to banking, and will ensure that international banks compete on more equal terms. But it still has its failings, even if these are different from those most people suppose.

Going abroad without tears

HOW SHOULD the government respond to the warning from the Association of British Travel Agents (Abta) that it can no longer continue to bail out failed travel firms indefinitely? With yet another failure in the travel business yesterday, the Department of Trade and Industry can hardly ignore this salvo from a trade association whose finances have already been badly hit by the recent collapse of Exchange Travel and a clutch of school tour operators. The question is whether to accept Abta's recommendation that the government should impose a levy in order to build up a fund to reimburse holidaymakers.

On the face of it Abta's solution seems ill-designed to appeal to the government. The obvious precedent is the Air Travel Trust Fund set up after the collapse of Clarksons in the mid-1970s. But that was the work of a Labour administration. Since then the political climate has changed. Many will question whether the consumer needs this degree of paternalistic protection from the government.

Consumer protection

The collapse of travel firms, unlike the failure of large banks, does not pose a systemic shock to the whole economy. If there is an argument for increased consumer protection it rests on the fiduciary nature of the travel companies' operations. In the case of Exchange Travel, for example, holidaymakers' down payments helped finance property deals that bore no relation to the purposes for which the deposits were advanced. Since the great majority of travel customers are not equipped to make an informed judgment about the finances of travel companies, discipline has to be exercised over travel firms from elsewhere. The debate turns on whether the most suitable candidates are the government, trade associations or outside insurers.

The record of the present system, in which Abta plays a key role, should not be condemned out of hand. For more than a decade and a half the consumer has enjoyed substantial protection. In the case of the biggest recent collapse, that of ILG, there were no serious problems for holidaymakers and no call on Abta funds because adequate bonding arrangements were in place. Where bonding has been inadequate, as with Exchange Travel, Abta has paid up.

Finances stretched

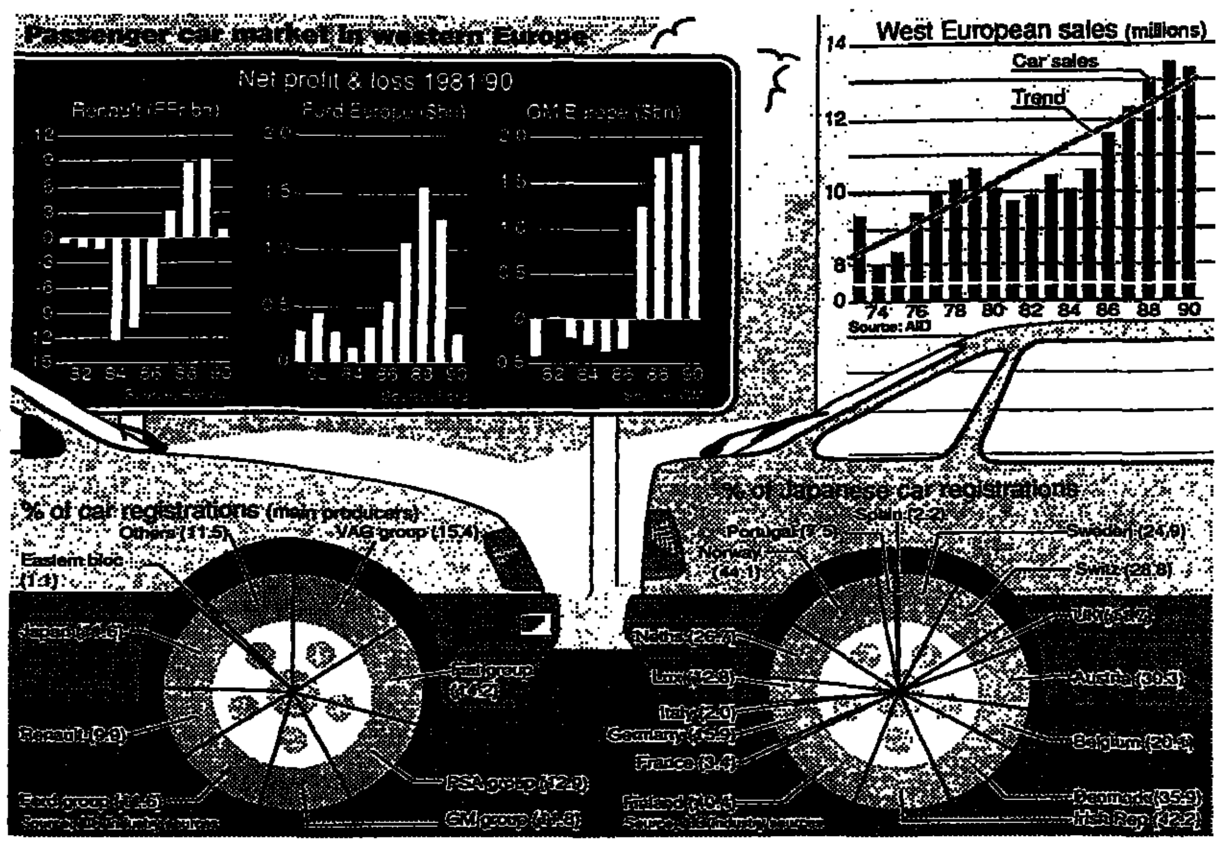
The problems have arisen, against a difficult economic background, partly because there are no comparable insurance bonding arrangements for rail, road and sea travel to those imposed by the Civil Aviation Authority in air travel: the financial calls that Abta is now making on its members relate to non-air holidays. The organisation has provided guarantees, but has been unable adequately to police its near 3,000 membership. And when it comes to meeting the cost of future failures there is a fundamental conflict of interest within the membership. Eight large firms account for some two-thirds of holidays sold, while the rest of the business consists of small firms whose finances have been badly stretched in the recent downturn. Note, too, that the bankruptcies relate to tour operators, not to travel agents.

It is hard to believe that the government could now extract a workable solution from Abta alone – especially one capable of satisfying the requirements of a new European Community travel directive that has to be implemented by the end of 1992. This requires travel organisers in member states to satisfy their governments that they can repay consumers if they cease trading. One way or another the consumer will have to pay more for insurance. The need is for a system which promotes the survival of the smaller firms while ensuring that insurance costs are widely spread and the risks more closely monitored.

An extension of bonding arrangements would be a better means to that end in the long term than an industry levy, combined with inadequate policing from Abta. It is in the organisation's own interest to avoid a crisis of confidence in the industry. Ministers should merely encourage Abta itself to address the immediate problem.

The sorry state of the US auto industry should serve as a warning to European manufacturers, says **Kevin Done**

Europe gears up for car wars



Europe's car makers and their legion of components suppliers are tightening their seat belts as the road into the 1990s becomes uncomfortably bumpy.

For half a decade the auto industry has enjoyed successive years of record car sales in western Europe. Now lean years are looming, as the profits of several key car producers plunge, others continue into loss, and the industry as a whole moves to shed jobs.

Europe's car producers desperately needed the strong sales years of the second half of the 1980s to repair their battered finances, to allow some to claw their way back from technical bankruptcy, and to reduce an awesome debt burden.

Now margins are being squeezed again, however, just as competition threatens to reach a new pitch. Europe could well become the main battleground of the world auto industry in the 1990s.

The European industry faces several new challenges:

● the looming arrival in force of Japanese car makers in the hitherto protected markets of Italy, France, Spain, Portugal and to a lesser extent the UK. The advent of the single European market is set to undermine the present bilateral restrictions on Japanese car imports;

● the build-up of Japanese "transplant" car production in the European Community;

● the impact of the single European market on car pricing as cross-border trade flows increase; on the harmonisation of technical standards; and on the future of the present exclusive franchised dealer system. (The motor industry's present 10-year so-called "block exemption", which protects the exclusive franchise system, runs out in 1995);

● the opening up of eastern European markets against a background of mounting political uncertainty;

● the tightening of environmental regulations with tough and costly demands for lowering exhaust emissions and expected regulation later in the decade for improved fuel economy and the recycling of old cars.

New car sales in western Europe fell by only 1.5 per cent last year to 13.25m from the record 13.47m achieved in 1989. Sales trends in different markets have diverged sharply, however, with demand plunging in the UK and Spain and sales in Germany climbing to new heights.

And in the auto industry, when profits fall, the drop can be precipitous – even with relatively small declines in sales and production volumes. Renault, the French state-owned car maker in which Volvo of Sweden has recently taken a 20 per cent stake, suffered an 87 per cent drop in net income last year on a 6.2 per cent fall in turnover.

The French group can, however, hardly look to Volvo, with which it recently formed a far-reaching alliance, for financial salvation. The Swedish car maker is among the European industry's other notable financial casualties after falling into loss last year for the first time for nearly 60 years.

Among the big six volume car makers in Europe Ford also suffered a harsh financial set-back in 1990 with its second worst result in 10 years. The net profits of its European operations fell last year by 79.6 per cent to $263m from $1.29bn in 1989 and a record $1.56bn in 1988.

Ford blames the sharp deterioration in part on the impact of industrial unrest; higher product development costs; and the heavy impact of the rising losses suffered by Jaguar, the UK luxury car maker it took over ambitiously and expensively for £1.38bn at the end of 1989.

Just as importantly, however, Ford's recent European financial per*formance reflects the uneven impact* of diverging new car sales trends across 17 western European markets last year. Profits were particularly hard hit by falling sales volumes in the UK, its *biggest single* European market, where it is also the market leader.

The UK is currently one of the weakest markets in Europe with sales falling by 12.7 per cent last year and by a further 23 per cent in the first two months of 1991. As demand plunged, marketing costs rose rapidly with fierce competition for each sale prompting a war in discounts, cheap finance deals and other special promotions.

In sharp contrast with the UK – and with Spain – new car sales in Germany have been extremely buoyant, reflecting the economic boost provided by German unification. This has hugely benefited the main players in the market, Volkswagen and General Motors (GM markets its cars under the Opel badge in continental Europe and as Vauxhall in the UK).

New car sales in western Germany in the first two months of this year were 30.1 per cent higher than a year ago, while estimates for the whole of Germany suggest that new car sales were fully 50.5 per cent higher than in West Germany alone a year earlier.

Most other European car markets are in decline. In the first two months of this year sales fell in 14 of 17 western European markets compared with the corresponding period a year ago and were higher in only Germany, Austria and the Netherlands.

While Fiat, Renault, Peugeot and Ford *have been forced to* resort to idling assembly plants in order to reduce production, Volkswagen and GM have been working at full capacity at many of their assembly plants across Europe to meet the unprecedented level of demand in Germany.

In contrast to Ford with its UK woes, General Motors' exposure to the huge sales growth in Germany helped it to achieve record net profits in Europe last year at $1.915bn – even after swallowing its share of the vast losses at Saab. In the process it ousted its arch US rival from fourth place in the European sales league.

With the unified German market currently accounting for nearly three out of every 10 new cars sold in western Europe, Volkswagen is consolidating its position as the leading European car maker. In sharp contrast, the challenge from the Fiat group of Italy (which includes Alfa Romeo and Lancia), the main pretender in recent years to VW's European crown, has faded.

Europe could well become the main battleground for the world vehicle industry in the 1990s

Fiat is vulnerable. Of all the European volume car makers it is by far the most dependent on its domestic market – Italy accounts for more than 60 per cent of its European sales – *and it has no European car assembly* plants outside Italy.

Fiat is already under attack in Italy from the existing European makers, with Ford in particular making big inroads. In the first two months of this year its share of the Italian market tumbled to 47.4 per cent from 54.6 per cent a year ago and 58.9 per cent two years ago.

Not surprisingly Fiat was the first European volume car maker to resort to laying off tens of thousands of workers last autumn and several of its Italian car plants have only been working three weeks in four for the last seven months.

Just as ominously for Fiat it has hardly begun to be exposed yet to Japanese competition in its home market, where Japanese car imports have been limited hitherto to tiny volumes.

The vexed issue of Japanese car sales is probably the most sensitive unresolved question still facing the EC in the run-up to the creation of the single market from 1993.

At present the pattern of competition across European car markets is greatly distorted by the limits on Japanese car sales set in four of the five main volume car markets in Europe – France, Italy, Spain and the UK – as well as in Portugal.

The European Commission's task in hammering out an agreed position among member Governments on Japanese car sales has been bedevilled until recently by disunity among European car makers themselves.

The industry has now succeeded, however, in isolating Mr Jacques Calvet, *chief executive of* Peugeot of France and the most hard-line opponent of the Japanese car industry in Europe in order finally to put forward a united front in Brussels.

European car makers – minus Peugeot – are now calling for continuing controls on Japanese car sales in the European Community until the end of 1999 with a limit on Japanese market share to that date of 15 per cent.

While the 1980s was the decade in which the Japanese car makers concentrated on building their production presence in North America, in the 1990s they are switching their attention *to* Europe.

Nissan has been producing cars in the UK since 1986. Volumes were modest at first, but this year output should reach 120,000 cars and will grow to 220,000 in 1992/93. Next year production begins at Toyota and Honda's first European car assembly plants – both located in the UK, which Mr Calvet has variously called "a Japanese aircraft carrier off the coast of Europe" and "Japan's fifth largest island".

Honda also owns 20 per cent of Rover, the UK car maker, and Honda cars are already coming off Rover's UK assembly lines at the rate of 40,000 a year. In the wings both Mazda and Mitsubishi Motors are seeking a way to establish their first European car production, while as a harbinger of another line of attack, Honda begins for the first time this month the sale of cars in Europe shipped from one of its US assembly plants.

While the Japanese car makers combined have around 11.6 per cent of the total western European market, what they can achieve in unprotected European markets without a domestic producer is already evident (see chart).

While Japanese car makers captured a 5.1 per cent share of the "restricted" European markets last year, they already controlled more than 30 per cent of the "open markets".

With a disturbing competitive disadvantage – in manufacturing productivity, the effectiveness of new model development and the speed and variety of new model offerings – it is hardly surprising that European car makers are pleading with Brussels for a transition period to the end of the decade to try to get their house in order.

Mr Lindsey Halstead, chairman of Ford of Europe, said last month that "unless the door is eased open gently," the Japanese auto industry would be first beneficiary of a single European market. The absence of a prolonged transition period "could have rather severe implications for our European technology base and supply industry."

Without such a respite Mr Robert Eaton, president of GM Europe, forecast recently that Japanese car makers could increase their share of the western European market to 15 per cent by the mid-1990s and 20 per cent or more by 2000. Such a growth would be equivalent to Renault's share today.

According to GM, total car assembly capacity in western Europe could increase from 14.7m units in 1990 to 17m units by the mid-1990s based on announced plans. About a third of the increase would stem from the Japanese. Industry wide capacity utilisation could decrease from an average of 92 per cent in 1990 to 84 per cent in the mid-1990s.

"If one assumes that the Japanese fill their factories as they increase their sales across Europe, the bulk of the overcapacity problem will be faced by European manufacturers – putting pressure on prices and profit margins, potentially leading to a restructuring of our industry," says Mr Eaton.

The current state of the US industry, where Japanese car makers now hold more than 30 per cent of the market and where all big three US car *makers – GM, Ford and Chrysler* – are currently operating at a loss, offers a portent of what may happen in Europe if the local producers fail to close the competitive gap.

OBSERVER

Official improvements

■ Britain's "Department for Enterprise," with Peter Lilley as minister, has just produced a couple of typically impressive new initiatives.

The first is reported by the department's staff newspaper. It says a four-person energy efficiency unit has been set up to ensure that the department, whose energy bill is £4.5m, "achieves at least a 15 per cent reduction in energy *costs over the next five years.*"

The newspaper further indicates that, in pursuit of said aim, the department intends to lay out £500,000 or more a year.

Does this mean that the DTI plans to spend £2m-plus between now and 1996 to save just £675,000?

Meanwhile, I hear the opening hours of the department's Companies House search rooms in Cardiff, Edinburgh and London have been extended to 9 am to 5 pm, instead of 9.30am to 4.30pm.

Researchers are going to need those extra half hours at each end of the day. The microfiched company files will now take up to two hours to arrive instead of one. And last orders have to be in by 3 pm, instead of 3.15pm.

Might we have a word, minister?

Dog sense

■ At last a bit of sense has emerged to counter the fears over spreading burglaries which have panicked companies and householders by the million into installing high-tech alarms.

The sense-provider is the Federal Criminal Office of *Germany where property*-owners are following the fearful fashion to the tune of spending £2bn-plus a year on electronic security systems and such. The main result, as in other countries, is that the police are plagued to near-*stupefaction by false* alarms. Of every 100 alerts, only two are triggered by break-ins.

That compares with almost 50 set off accidentally by the property-owners themselves, and 15 by domestic animals such as cats and dogs.

Appalled by the costly confusion, the office did a bit of well targeted market research. Having consulted *300 convicted burglars on* the matter, it now advises potential victims to stop being blinded by science and adopt a lower-tech deterrent: barking dogs.

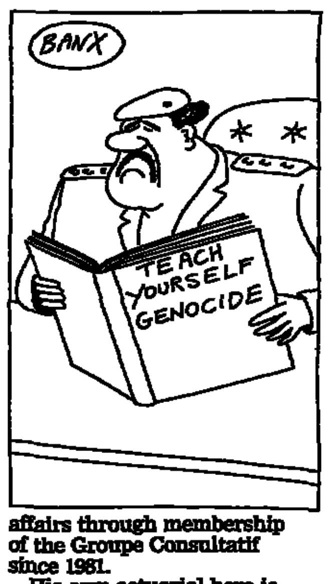
Because they're active contributors to the trouble, however, it does not recommend installing real ones. "No actual dog is necessary," the security experts say, "just a showy kennel and taped barking of a fierce breed."

Exodus

■ The steady trickle of managers from the upper echelons of the Prudential, following last year's shake-up, continues apace. Peter Clark, a 44-year-old deputy actuary, is the latest man from the Pru to look for pastures new.

Having been passed over for the chief actuary's job in favour of a man from the investment side – Peter Nowell – Clark has been snapped up by Sun Life, where he will also get a seat on the board in addition to being the appointed actuary. Peter Grant, Sun Life's chairman, sees the move as quite a coup.

"The Pru has had a few hiccups, but none of them were actuarial", says Grant, who regards the insurance giant as a good training stable. In addition to being an important figure in the Institute of Actuaries, Clark has played an important behind-the-scenes role in European insurance



affairs through membership of the Groupe Consultatif since 1981.

His own actuarial hero is the Pru's late Frank Redington, who once said "an actuary who is only an actuary, is not an actuary." Think about it.

Freedom

■ The late Field Marshal Smuts and B.J. Vorster are about to get a new companion. As excitement mounts in South Africa over Margaret Thatcher's visit next month, news comes of a signal honour that awaits her: the Johannesburg city council will bestow the freedom of the city on her, thought to be the first time such a distinction has been awarded a foreigner.

The burghers of Soweto, I gather, are not expected to follow suit.

Lady vanishes

■ Metals analysts seem to be a vanishing breed. The latest to be shaken out of the City is Rhona O'Connell, one of the best-known and highly-rated observers of the precious metals markets.

She and colleague Neil Buxton, who specialises in base metals, have left the London team of Shearson Lehman Brothers, the American Express subsidiary. The reason is evidently that in this cost-conscious age, neither the commodities nor the equities divisions were willing to pay for fundamental metals research any more.

O'Connell built her reputation initially with Consolidated Gold Fields where she helped prepare the annual book which *became the gold market's sta*tistical bible. There followed 12 years at the Rudolf Wolff commodities broking house and a short stay at brokers James Capel before she joined Shearson in January 1987.

At least she lasted longer than her successor at Wolff, John Harris. He fell victim to the minimal metal-market activity last month.

Over a bit

■ Thank goodness BICC's Balfour Beatty is not digging the Channel Tunnel on its own. One hates to think where it might have surfaced judging by the hazy geography in its latest annual report. Included in a catalogue of last year's achievements is the Five Acre Square development in Houndsditch, "West London".

As any street-wise Cockney knows, Houndsditch is in *east* London.

"Just an unfortunate and embarrassing error on our part," admits BICC.

No wonder there are cost over-runs if mistakes like that get onto the drawing board.

Poverty trap

■ A man walks *into* a Swiss bank and quietly asks the teller, "Can I open an account with a million dollars?"

"Certainly", the teller replies. "But there's no need to whisper. Poverty isn't a crime, you know."

Little help for the oppressed

Onslaughts against the Kurds show the limits of international authority, says **Roger Matthews**

In Iraq yesterday the regime of President Saddam Hussein consolidated its brutal grip on the Kurdish people. In Burma, the Karen minority, scarcely less deserving than the Kurds of international support, sought to stem an offensive by troops commanded by a government scarcely less appalling than that of Saddam Hussein. In Cambodia, forces of the notorious Khmer Rouge, armed by China, fought government troops equipped by the unreformed communist government of Vietnam. And in Peking, Mr Douglas Hurd, the British foreign secretary, sat down for talks on the handover of Hong Kong with Chinese leaders who were responsible for the massacre less than two years ago of pro-democracy demonstrators in Tiananmen Square.

These four examples, all of which continue to outrage different sections of international opinion, illustrate well the practical limitations imposed by governments on the rights of others to interfere in their internal affairs. For much of the time the United Nations has little to say about these and dozens of other similar examples human rights abuses and, accordingly, even less to do.

For nearly two decades Mr Saddam Hussein, first as vice-president and then as leader of Iraq, had done very much as he wished with the people of that country without a hint of international or UN intervention. Twice in that time he terrorised those Kurds fighting for autonomy, latterly with chemical weapons. Far from there being talk of sanctions western companies continued to seek business in Baghdad, just as they are doing today in Rangoon and Peking.

But Iraq's invasion of Kuwait changed all that and in the process has left people and governments impressed by the display of US-led international military power and frustrated by its obvious limitations. During the past week, as the Kurdish people have fled before Saddam's onslaught, the limitations have seemed temporarily to obscure the earlier achievements.

The triumph of removing Iraq from Kuwait at such limited cost to allied lives has been soured by the sight of Saddam Hussein again securing his grip on the country. Those who wanted sanctions to be given longer and publicly opposed a war to liberate Kuwait now find themselves uncomfortably close to advocating direct military intervention in Iraq in order to save the Kurds. They face, too, the unpalatable fact that the one, perhaps only, sure way of eliminating Saddam Hussein's regime is by occupying Baghdad. The argument has yet to be seriously promoted.

Kurds near the border with Turkey flee Saddam's forces

President George Bush obviously believes, whatever his personal preferences, that American public opinion would not accept further military loss of life for such a purpose. He remembers the 240 US marines killed in Beirut in 1983 following their deployment after the massacre of many hundred Palestinians at the refugee camps of Sabra and Chatila. Other western allies appear to be equally opposed to being drawn in to an Iraqi quagmire of Lebanese complexity.

The silence from the Arab world over the fate of the Kurds has been deafening. Unelected rulers are rarely at ease with concepts involving outside intervention on behalf of oppressed minorities. The sensitivity becomes more acute throughout the Arab world when the outside intervention can only come from Washington, which is blamed more than any other power for the plight of the Palestinians fighting to emerge from Israeli occupation and denied self-determination. In the region only Iran, conveniently forgetting about glasshouses and stones, has spoken out on the issue and then more to castigate Mr Saddam than to support the Kurds.

But, however deep the western frustration at being unable to aid the Kurds effectively, it remains one segment of a wider picture in which the anti-Saddam alliance ultimately holds the key to the future of the regime and thus the 17m-18m Iraqi people.

The continuing strength of that alliance was again demonstrated on Wednesday with the adoption of UN Security Council Resolution 687, the longest and most detailed in the history of the organisation. In setting the terms for a permanent ceasefire in the Gulf, it imposed such tough conditions on Iraq that the country will be unable to begin rebuilding until the international community is willing to relax the economic vice in which Baghdad is held. In the words of Sir David Hannay, the British UN representative, "it will prove impossible for Iraq to rejoin the community of civilised nations while Saddam Hussein remains in power".

What happens in the interim is sure to be unpalatable from a western humanitarian perspective. It has to be remembered that Iraq's infrastructure was heavily bombed for several weeks by allied aircraft. The big cities and much of the countryside are still substantially without electricity and often without water and main drainage. Food supplies have been disrupted and there are continuing fuel shortages. The recent fighting in the north-east and in the southern towns has caused more damage and further reduced local government effectiveness.

Even with large amounts of humanitarian aid, it would seem from outside the country that such widespread deprivation and personal suffering will eventually bring the downfall of the regime. Yet some of the factors which argue against foreign military intervention in Iraq are also the ones which bolster Mr Saddam's grip on power.

Throughout the eight years of war with Iran what appears most to have stiffened Iraqi resolve in the face of repeated offensives was not affection for Mr Saddam but fear of the alternative. The same sentiment holds sway today. The people of Baghdad have never wanted a regime dominated by Shia fundamentalists from the south or heavily diluted by Kurdish autonomy or separatism in the north east. There is a perverse logic which argues that Saddam Hussein will only be brought down from within his own citadel, and then only when the conditions within the country allow for a transfer of power which does not simultaneously threaten his successors' own chance of establishing their authority.

One of the most intractable problems in the post-colonial Middle East is that of burying the notion that the authors of the region's problems retain a long-term responsibility for their resolution. Mr Saddam was a Middle East and world problem: he is now reduced solely to an Iraqi dimension and will be kept there by the will of the international community. Eventually Iraqis will rid themselves of him. Many hundreds of millions of people around the world living under not dissimilar regimes must hope that the UN will do even half as much for them.

Joe Rogaly

The feeling better factor

Forget about today's result from Neath. It tells us about a small by-election in Wales. The main show, the next general election, will not be affected.

The Conservatives deserve to lose on the big day but they remain odds-on favourites to win more seats than Labour. An overall majority is less certain. So is justice. The Tories should be thrown out because they have been there too long and spent too much of the time mismanaging the economy and bungling local taxation. Their chance of hanging on to power depends upon, first, the public's curious insistence on regarding the economy as safe in Tory hands and, second, the likelihood that the average voter is apolitical enough to count the money in his pocket on polling day and forget about the idiocies that have so recently been perpetrated by those who seek re-election.

If the election is held in June or October most people will be enjoying an increase in real disposable income brought about by high wage settlements in the first half of 1991, set against a rapidly falling rate of inflation in the second half. Unemployment has to be netted out from this equation. Mr Henry McLeish, a Labour shadow minister of employment, has listed the Conservative seats in which dole queues are rising particularly rapidly; clearly the south-east is bearing the brunt. Yet while the percentage increases are high, the actual numbers in each constituency are still relatively low. Unemployment may become a decisive factor, but it is not yet there. Provided that the headline rate is not increasing too sharply the likelihood is that the anticipation of a return to prosperity by the majority of the population will offset the fears of those who see an increased danger of losing their jobs.

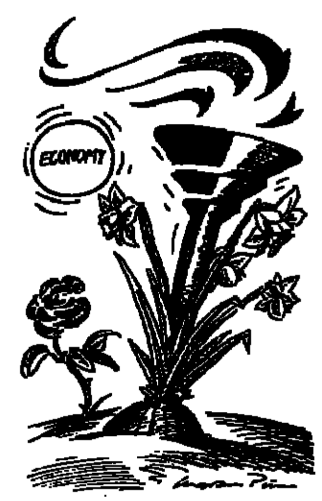
We had an inkling of this at the weekend, when The Sunday Times published the results of a poll by Mori. It showed that the "feel good factor" has begun to swing sharply in the Conservatives' favour. In February this was rated at -27 per cent, a figure reached by subtracting the proportion of respondents who expect the state of the economy to improve over the next year from those who expect it to deteriorate. The figure for March was down to -1 per cent.

It is reasonable to anticipate a further improvement in this number, as interest and mortgage rates fall and local taxation is cut – although it is impossible to foretell the effect of the concomitant 2½-percentage point increase in VAT. In 1983 the economic optimism indicator moved from -21 per cent in January to +14 per cent in May; the Tories subsequently romped home. In 1987 the same number moved from -2 per cent in January to, again, +14 per cent in late April. A third Conservative victory followed.

This time there is further to go, starting with -30 per cent in January, but half the distance seems to have been travelled already. Some economic purists may argue that the question is not sufficiently specific to the respondent's personal expectations. What they think about the economy may not apply to themselves and therefore their voting intentions. A different question is asked by NOP for Newsnight and The Independent. It is, "do you think the financial position of your own household will improve/stay the same/worsen?". The positive answers are subtracted from the negatives. The scores recorded so far this year are -14 per cent in January and February and -6 per cent in March.

There is thus early evidence to support the proposition that people believe that the recession has begun to bottom out. Ordinary folk's feelings are at least as likely to be proved right as any Treasury forecast. There are plenty of straws in the wind: the latest CBI forecasts, the expectation of a fall in US interest rates; the strengthening of the dollar; the consequent euphoria in the markets. These are indeed straws, but they may settle into something substantial.

If people feel optimistic after the Easter break they might even begin to spend money again. That would speed the recovery. It would also demonstrate, yet again, that you can put 100 economists to work for as long as they like on the computer programmes of their choice and they will never make a reliable assumption about the propensity to save.



Optimism, soundly-based or not, can be infectious. The Conservative party chairman, Mr Christopher Patten, sought this week to head off speculation that everything may yet come good in time for a June poll, thus arousing expectations for October. Some of his colleagues are beginning to look more relaxed, although for different reasons. Take Mr Michael Heseltine. The environment secretary has the calm air of a man who has accepted that a dramatic stage of his life is over, and that he must now subside into the role of an ordinary minister in a department with which he is hauntingly familiar. Never again will he taste the delights of challenging Mrs Margaret Thatcher; his days as a putative prime minister are gone. There may be vestiges of ambition hidden deep inside him, but from the way he is playing his new job, butter wouldn't melt in his mouth.

Yet he ought to be in a state of some agitation as we await his consultative papers – one on the new local tax that will replace the community charge, another on the structure of local government, and a third on the internal management of local councils. These are not yet through the cabinet, which is on holiday, and so I assume that they are not ready for presentation at the launch of the local government election campaign next Wednesday. They may not be available until a week after that. Even then the number of issues on which the government will express a preference is anybody's guess. Mr Neil Kinnock, the Labour leader, has enjoyed pointing out that the Tories may have to go to the local electorate on May 2 "on a manifesto entitled 'wait and see' and under the slogan, 'don't ask us, we're only the government'".

Mr Heseltine's response is that the voters will simply look at their cut-price community charge bills; few of them will debate the niceties of his consultative papers. He defends the agonised process of withdrawing from the poll tax as necessary to bring everyone along; the least divisive fissure line in the Conservative party is thus being sought. Then the damaging internecine strife can be brought to an end. For what the party wants is two-fold: to win the general election and to be shot of the community charge. That is, in Mr Heseltine's view, bedrock.

All this may be a touch sanguine. The dismantling of the poll tax is not yet complete. Its potential for damaging the Conservatives is still huge. In spite of a happy turn in the graph of economic optimism it is difficult to see the Tories doing well enough in the May local elections to clinch the argument for a June poll.

Labour was in the low 30s in the opinion polls when the equivalent council elections were held four years ago; it is steady at about 39-40 now. Under Mr Neil Kinnock it has become wholly respectable: there is no particular reason either to vote or not to vote for it. The Liberal Democrats have been doing better recently but they are not yet strong enough to guarantee a Tory victory by usefully dividing the non-Tory opposition. Even if the recession has begun to bottom out that is no indication that the recovery will be quick; the opposite could be true.

In short, there is no question of the government hanging on to anything like its present majority in June, October, or next year. On today's figures, it could even lose its overall majority, while remaining the largest party. Yet the positive turn towards economic optimism may help it pip Labour at the post, in spite of everything.

LETTERS

Controls perhaps price worth paying

From Mr Peter Bild.

Sir, I wonder if the usual lucidity of Anthony Harris' prose ("Avoiding the crunch questions about credit", April 2) may have proved so dazzling that he was, for once, less than fair to the governor of the Bank of England.

Was the former commercial banker wistfully arguing the need for lending controls because the Bank sees a real danger of runaway house prices fed by unrestricted advances to individuals? Or was he, perhaps, arguing – along with the Bundesbank – that some direct quantitative impediment is a price worth paying if government and/or central banks are to carry out effectively their responsibilities to maintain economic and currency stability?

I doubt Anthony Harris would gainsay the second. I recall the time in mid-1970s when he defended Bank of England curbs on commercial bank lending against their then free-market detractors who argued that such controls were ineffective in controlling money supply because they merely distorted the figures. I have been dining out ever since on Mr Harris's rejoinder that "distorting figures was the purpose of a corset".

Peter Bild,
18 Rydal Road, SW16

Company cars on one-way street from tax and VAT viewpoints

From Mr A.R. Lis.

Sir, There are one or two further aspects to the point raised by Mr Peter Kirk (Letters, April 2) on introducing cash alternatives to company cars.

Once the tax on the scale benefit for private fuel has been paid, travel to work by company car effectively becomes free. Enticing employees away from this advantageous position thus requires a cash inducement which compensates for the benefit forgone and which then has to be grossed up for the resultant tax deductions.

This is, of course, on top of the major inducement required of compensating for the loss of company vehicle and the loss of no claims bonus while motoring on company insurance.

In many cases the above factors are likely to lead to a cash inducement figure significantly higher than the present benefit levels. This sum is likely to be higher than the true economic value of company car use. Offering this higher sum, as an inducement to switch from company cars to cash, can lead to that sum – where it is higher than the scale benefit – being the basis of assessment to tax of the car, on the grounds of the principle laid down in the Heaton v Bell ruling.

At present, offering company cars to employees appears to be a one-way road both from VAT and income tax viewpoints. The government has to introduce measures to promote flexibility if it wishes to achieve its desired result.

A. R. Lis,
group tax manager,
Sears plc,
40 Duke Street, W1

Record tainted

From Mr Nicholas Mellersh.

Sir, While Christopher Dunkley is right to praise Channel 4's 'Banned' season as being of "some courage", ("Joining battle against the busybodies", April 3) he ignores the fact that the channel's own record of promoting free speech is not spotless.

In 1986 I was commissioned by Diverse Productions to make a personal television essay advocating the abolition of the Independent Broadcasting Authority. Halfway through shooting, this programme was banned. This act of censorship came not from the IBA, which had co-operated fully in the production of the programme, but from Channel 4 itself.

Nicholas Mellersh,
47 Quarrendon Street, SW6

Time to clarify pensions issue

From Mr Cyril A. Chan.

Sir, For a government with a strong view on most issues, it is revealing that this government is keeping well clear of the pensions debate ("Sex and the over 60s", March 28). No doubt it realises that any position it takes will be vociferously opposed and that almost any solution will incur financial costs. Additionally, this issue is not, unlike the poll tax, so universally emotive that the government must force through a desperate last-minute measure to show the electorate that it is responding.

As the proportion of our population that is of pensionable age grows over the coming decades, and there are fewer workers to transfer earnings into pensions, it makes sense that the age of retirement should be moved upwards from 60 and not downwards from 65.

It cannot be right that the government should allow this issue to be resolved through lengthy and expensive legal machinations when, as you have stated, it "amounts to a minor social revolution". The government must step in and clear the air.

Cyril A. Chan,
9 Porchester Road, W2

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

Local communication not central body is key to industrial relations

From Mr A. McIntosh.

Sir, An issue confronting many UK-based multinationals is the prospect of a European Works Council.

During the past 10 years, enormous strides have been taken in the UK to improve standards of participation, communication and consultation. More enlightened companies have progressively moved away from the concept of central, bureaucratic systems of control, seeking to enhance the role of their local units by adapting communication and consultation practices which meet local needs.

The continuation of this development will prove to be one of the key ingredients in the ongoing improvement of Britain's European and world-wide competitive position.

The current EC proposal, to establish European Works Councils will, if adopted as appears intended, send British industry, at a stroke, back 10 years and add nothing to its European interests. The creation of a central body is now alien to the basic business and people philosophies of enlightened companies.

However, there is still much to be said in favour of legislation which seeks to raise standards of communication and consultation and improve the working environment of people. British industry should be embracing the concept, and lobbying to ensure implementation is carried out in a way beneficial to both UK and European business.

This legislation should be:

- directed at all individual units with more than 50 employees;
- non-bureaucratic, specifically avoiding the creation of a central body;
- concerned with establishing minimum standards of communication and consultation with which all covered units must comply;
- structured in a way which enables penalties to be applied against the holding company of units which do not comply, and provides for some form of compliance audit.

This arrangement will place ownership of the whole process where it belongs – at local company/unit level.

It will enable local, regional and national cultures, philosophies and practices to be properly considered and accounted for.

It will contribute to the overall well-being of employees and their own place of work. It will enable those companies with good practices to develop them further and ensure that those who do not are brought up to an acceptable standard. A central European Works Council will achieve none of these things.

A great opportunity will be missed if the present proposal is enacted in its existing form.

A. McIntosh,
director of group personnel,
The Morgan Crucible Company,
Chariott House,
6-12 Victoria Street,
Windsor,
Berkshire

FINANCIAL TIMES
Friday April 5 1991

Bonn puts DM400bn cost on eastern restructuring

GERMANY'S Treuhand agency, which supervises state-owned enterprise in the east, will need about DM400bn between now and the year 2000 if it is to give priority to restructuring rather those closing ailing companies, the Bonn Finance Ministry said yesterday, writes David Goodhart in Bonn.

This emerged as Chancellor Helmut Kohl announced plans to visit Erfurt in east Germany on Sunday – his first visit since December's general election.

The chancellor's popularity in the east has plummeted as unemployment in the area has risen and he has been under political pressure for weeks to meet his accusers face to face.

His visit was announced on the day figures were released showing that the unemployment rate in east Germany had risen to about 9.2 per cent in March. There was a fall to 5.8 per cent in the west German rate for the same month.

Despite the sharp drop in support in east Germany for the centre-right coalition, however, most opinion polls put the coalition ahead of the opposition Social Democrats, still struggling after their crushing election defeat.

The DM400bn cost of restructuring east German companies projected by the Finance Ministry in Bonn is only a rough guide and does not take account of income from the sale of land and companies, according to officials.

It came in an internal report, written by Mr Horst Köhler, the state secretary, before the assassination on Monday night of Mr Detlev Rohwedder, the Treuhand chief, and was confirmed by the Bonn ministry.

The Treuhand has so far sold nearly 1,000 of the 8,000 larger companies under its control and 25,000 shops and other service outlets, but privatisation has proved much more difficult than originally envisaged.

As well as paying for, or guaranteeing, new investment, the Treuhand will have to continue carrying east Germany's DM100bn of corporate debt and will now have to make payments to redundant workers.

Unemployment in east Germany rose in March by 21,000 to 808,000, and the number of workers on short-time touched 2m, about one quarter of whom are in effect unemployed.

Meanwhile, the economy in west Germany continues to generate jobs, many of them filled by commuting east Germans. However the February industrial production figures for west Germany show a seasonally-adjusted 2.5 per cent drop on the previous month reflecting largely a 23 per cent drop in the building sector caused by the cold snap.

Salutary lesson for east Europe reformers

By William Dullforce in Geneva

GERMAN experience in integrating eastern Germany offers a salutary lesson for reforming countries in eastern Europe, the United Nations Economic Commission for Europe (ECE) says in its annual survey published today.

The rapid collapse of the centrally-planned economy of the former German Democratic Republic in the face of market forces – despite huge financial support from Bonn – has increased caution about the "big bang" approach to economic restructuring, says the ECE secretariat.

Reconstructing the east German economy will take much longer than envisaged after the collapse of the Berlin Wall, will preoccupy German policy-makers for several years and will be an important influence on economic developments in the rest of Europe.

The secretariat, which has monitored economic developments in the Soviet Union and east Europe for more than 40 years, recognises that the incorporation of the GDR into a united Germany is unique and could not be replicated elsewhere.

It points out that several approaches to converting centrally planned to market economies have emerged in east Europe against a background of deepening recession.

Output of all goods excluding services fell on average by 11 per cent in east Europe and by 4 per cent in the Soviet Union in 1990, according to the ECE survey.

The decline in output ranged from between 3 and 5 per cent in Czechoslovakia and Hungary to more than 10 per cent in Bulgaria, Poland and Romania.

Industrial production plummeted by an average of 17.5 per cent in east Europe and 1990 was the worst year for agriculture in a decade.

ECE economists forecast a big rise in unemployment throughout the region in 1991. However, they emphasise the need for the tough measures introduced by some east European countries to control accelerating inflation and limit budget deficits.

The number of jobless is expected to exceed 4m in east Europe this year and reach 5.3m in the Soviet Union. Unemployment rates could range from about 4 per cent in Romania and the Soviet Union to 15 per cent in east Germany.

Falls in national output were much greater than expected and shared the following general causes:

● The old command systems of the centrally planned economies collapsed much faster than anticipated.

● The Comecon trading and payments system which linked the Soviet to the east European economies disintegrated.

● Energy supplies were disrupted; Soviet deliveries to eastern Europe were more than 20 per cent lower than agreed.

● Gross fixed investment fell on average by 14 per cent in east Europe and by 4 per cent in the Soviet Union.

● It became increasingly difficult to obtain new commercial credit from the west.

The ECE highlights the hesitancy of western private investors and the dramatic reduction in commercial bank lending to eastern Europe last year.

Lending by banks reporting to the Bank for International Settlements fell by nearly $7bn in the first nine months of 1990 compared with a rise of $9.3bn in 1989.

Between October 1989 and January 1991, the number of foreign investments registered in east Europe and the Soviet Union rose from 2,900 to 18,700.

But the amounts were very small, averaging only $500,000 per joint venture by January.

The report says there is a coherent framework of policies and targets in Poland, Hungary and Czechoslovakia, whereas the deterioration in the Soviet Union, Bulgaria and Romania "reflects a loss of central control and the absence of coherent alternatives".

The ECE secretariat finds the most encouraging developments in Hungary and Poland,

It cites "scattered evidence" of the growing role of the private sector in Hungary,

It adds that, in Poland, output (gross value added) grew by 17 per cent in the private manufacturing sector.

Economic Survey of Europe, 1990-91, final report available in May, $80 from Sales Section, Palais des Nations, CH-1211 Geneva 10, or from UN shops.

Thin line: unemployed East Berliners wait to register in Marzahn district

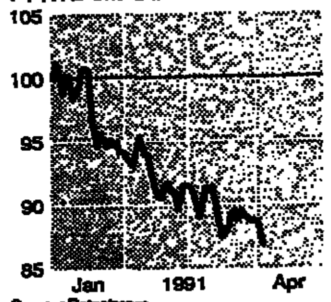
THE LEX COLUMN

The banks take care of WPP

WPP's $1bn-plus rescue package is a mirror image of the Saatchi & Saatchi deal. Saatchi's ordinary shareholders suffered atrocious dilution and were asked to put up extra cash. WPP's reconstruction is a pure banking deal, leaving the equity base untouched. It is a moot point which set of shareholders ends up better off.

The first eyebrow-raising part of the package is fees totalling up to £50m, or a quarter of WPP's present market value. On top of that, the company has to pay 2 percentage points over Libor on its debt, live within interest cover rising from 2.0 to 2.8 times and forego all access to the profits of its operating subsidiaries until debt has been sufficiently reduced. Something over $400m must be repaid by June 1993 and another $600m by 1997. Preference dividends will not be paid until June 1993 at the earliest, by which time there will be a backlog of £45m to clear off. Add in some £20m a year for cash earn-out commitments and ordinary shareholders may well ask themselves whether they will see any dividends this side of the millennium.

In such circumstances, the shares are impossible to value. The state of current trading is of relevance only to the banks. An attempt might be made to derive a present value for future revenues in the Eurotunnel manner: but the uncertainties surrounding WPP's future make Eurotunnel's valuation look positively scientific. Since the market began to realise a month ago that WPP was not going bust after all, the shares have outperformed a rising market by 170 per cent. Where they go from here can be of interest only to the specialist.



Source: Datastream

Costain

Costain's rights issue is a distress call par excellence. High interest charges and a further hefty land write-down have almost erased profits above the line: balance sheet gearing is now almost 100 per cent and the company's recent stock market underperformance has been such that a whopping 10.5 per cent yield has been offered to shareholders as an inducement to stump up the cash. Surely raising new equity was intended to be cheaper than going to the bank.

The market's reaction in putting the shares higher yesterday shows a touching faith in Costain's ability to claw its way back. The contracting and engineering business retains its quality in still competitive markets. But the group as a whole has paid a grievous price for trying to reinvest the cash generated by these activities in mining and residential property simultaneously. The Pyro coal acquisition in the US may have been dogged by bad luck, but the property excursion in the UK has so far proved an unmitigated and hugely expensive disaster. Trading losses on the housebuilding side last year have not been disclosed but may add a further £15m to the £45m of accumulated land write-downs.

The worrying thing is that the balance sheet repairs are not yet complete. Doubtless, borrowings can be further reduced in due course through disposals and cash flow. The immediate effect of the rights issue, though, is to leave gearing at a still unacceptably high 70 per cent. Presumably the company would have asked for more than £77m if it had dared, but had left it too late. The lesson was rubbed in yesterday by the £44m cash call from Ibstock Johnsen, which foresees a difficult year and is seeking shareholder support in advance.

NatWest

Lord Alexander, National Westminster Bank's chairman, is turning out to be a pretty mean sabre-rattler. Hard on the heels of his profits ultimatum to County NatWest comes another to Bancorp, NatWest's costly US subsidiary. However obscure Lord Alexander's motives for such public declarations, evidence seems to be mounting of a fundamental change in the style of leadership at the UK clearers.

Put bluntly, Bancorp has been NatWest's Crocker Bank, running up $363m of net losses between 1985 and 1990 and devouring huge quantities of capital. But while it might regret over-paying in the first place, NatWest is unlikely to be thinking seriously about a disposal. The market for US banks stocks is fast picking up and Bancorp could conceivably be making steady profits by the second half of this year. A UK director has just been installed to run the bank. To sell anywhere near the bottom of the cycle would open Lord Alexander to the very criticism he is implicitly making about NatWest's previous management.

Oil sector

As the FT-SE moved to its all-time high this week, the oil sector was falling in absolute terms. Having trailed the market since the end of the Gulf war, it now stands at its lowest relative yield since the early 1980s. Among individual shares, Enterprise has underperformed in that period by 20 per cent. Ultramar is on a three-year yield relative low and its historic p/e stands at a 21 per cent discount to the market.

On the face of it, the explanations are clear enough. Oil shares are less highly geared to economic recovery than the more cyclical sectors. The longer-term outlook for crude prices may be on balance favourable, but there is unlikely to be any upward movement this quarter from the current $18 per barrel. The exploration companies remain unattractive as asset plays. Even at their depressed levels, shares in the sector are not so far out of their recent trading ranges as to be obviously cheap.

But it may be that in concentrating on the economic cycle, the market has under-estimated the effect on oil company earnings of the rise in the dollar. BP, for example, will enjoy a welcome increase in its cash flow and will not be alone in finding it much easier to deliver real dividend growth. Demand for oil has yet to be affected by higher prices in local currencies. Last month's Opec meeting allowed Saudi Arabia and Iran to lay the ground for further co-operation in June. The few completed asset sales have implied steady values.

This scarcely makes a case for a bull run, more an argument that the performance may have gone too far. If the FT-SE loses momentum, the sector will bounce anyway. Before then, investors with a medium-term horizon will doubtless be thinking about increasing their weightings.

Japanese trade union leaders agree to lower wage increases

By Robert Thomson in Tokyo

JAPANESE trade union officials, now concluding the annual spring ritual of wage bargaining, have apparently accepted the arguments of employer representatives that increases must be lower this year because economic growth has slowed.

In negotiations that will set wages for most Japanese workers, leading industries have offered increases of about 5.6 per cent, down from last year's 5.94 per cent, and indicated that they are willing to negotiate a cut in annual working hours. The government had feared that a large wage rise from the "spring offensive" would add to inflationary pressures. However a Finance Ministry official said the increase, expected to be 5.5 per cent on an all-industry calculation, is reasonable and likely to have a limited impact on prices.

*The bargaining is not fin*ished and Japanese railway workers yesterday gave their annual notice of an intended strike. Yet the ritual is in its final days and leading unions have indicated satisfaction, despite earlier demands for increases of 8 per cent or more.

Negotiations are on schedule and the precedents set by steel, electrical appliance, power, and motor companies will apply to most workers.

Steel companies have formally offered 4.33 per cent, electrical appliance makers an average of 5.55 per cent, and power utilities about 5.6 per cent. Unions at Nippon Telegraph and Telephone (NTT) yesterday accepted a 6.03 per cent increase and cancelled a planned strike.

The decline in wage awards for the first time in four years is seen as a victory for companies, which are expecting a fall in profits this year. The decline comes despite a labour shortage, highlighted by the highest *ratio of vacancies to job seek*ers, 146 to 100, for 17 years.

But the outcome of the negotiations reflects the increasingly close relationship between Japanese unions and management which argued that a higher increase would contribute to inflation, estimated to be 3.1 per cent for the year ending in March, the largest increase for nine years.

A leading Japanese newspaper, the Asahi Shimbun, which leans toward the left, yesterday urged workers to "bargain harder," and suggested that "there is something murky" about the wage negotiations.

"What is called into question is whether the posture of labour in tackling wage negotiations, and the wage increases themselves are proper," the paper said.

Mr Kim Schoenholtz, a senior economist at Salomon Brothers, said the wage increase is "lower than would have been expected a few months ago" and suggested *that "unions have become less* aggressive and more practical" in assessing corporate profitability.

Indian Hindus stage huge revivalist demo

By David Housego in New Delhi

INDIA'S Hindu revivalist movement demonstrated its strength yesterday by organising one of the largest rallies in the capital since independence. It thus achieved a success that could boost enormously the prospects of the militant Hindu Bharatiya Janata Party (BJP) in the coming general election.

It was the first time that Hindu leaders have intervened so openly and so massively in Indian politics in support of a particular party. The BJP's campaigning on this issue is also seen as close to violating the electoral code which forbids parties to seek votes on religious grounds.

The rally coincided with news that the state assembly of Uttar Pradesh, the largest state in the union and the one in which Ayodhya is located, was being dissolved as a result of the failure of Mr Mulayam *Singh Yadav, the chief minis*ter, to reach an understanding with the Congress Party. State Assembly elections will be held *in May at the same time as the* general election.

In New Delhi, a mammoth crowd waving saffron flags and stretching further than the eye could see cheered wildly as Mr L. K. Advani, the BJP leader, pledged that "no power on earth can stop us from constructing the (Hindu) temple at Ayodhya." The proposed temple, which would be built on the site of a mosque at Ayodhya in northern India, is projected by the revivalists as a symbol of Hindu unity and resurgence.

Young men wearing saffron head bands expressed their enthusiasm for the controversial temple project with cries of "Jai Shree Ram" (victory to Ram). The temple would be dedicated to Lord Ram, a Hindu deity, said to have been born at Ayodhya.

The organisers claimed that *more than 2m were present at* the rally – although the police put the figure at several hundred thousand.

Blood stains a shrine of the Iraqis

Continued from Page 1

the floor in rooms where officials *said the rebels decapi*tated Baath party members.

Piecing together the story of what really happened in the south is difficult but, judging by interviews with residents, soldiers and officials, the rebels included many army deserters, political activists – some who came from Iran – and angry residents who *had taken part in anti*-government protests.

Officials in the Shia holy cities of Karbala and Najaf claimed many Iranian infiltrators were arrested by the authorities. Residents confirmed that they were Iranians among the rebels. Some slogans were written in Persian.

According to residents of Karbala, Iranians and Islamic opponents of the regime – apparently based in Tehran – entered the city with Iraqi troops who were withdrawing from Kuwait. "They were dressed in Iraqi army uniforms and heavily armed," said one resident.

Residents and soldiers said it did not take more than a few hours for the army to recapture the two cities. The Iraqi government sent the elite Republican Guard to quell the unrest.

"We first fought in Karbala, then Kirkuk before we came to Arbil," said a young member of the Guard.

The regime hopes the reassertion of its authority will discourage neighbouring Iran and Syria as well as the west from backing the Iraqi opposition in exile to embark on another uprising.

Mr Saadoun Hamadi, the newly-appointed prime minister, promised fundamental structural changes in the political system in a televised speech over the weekend.

This pledge, along with a televised meeting of the cabinet, chaired by Mr Saddam, suggest the process of separating of the head of state's powers from the executive might have started.

Agencies assess scale of exodus, Page 4.

Aid urged for Kurds

Continued from Page 1

Iraq's withdrawal from *Kuwait, and the position of the* Kurdish rebels. Their plight was "very distressing and malignant – but it is wholly within the borders of Iraq and we have no international authority to interfere," he said.

The prime minister rejected the criticism that the response to the Kurds' plight had been tardy, and said that assistance had been provided over the last few weeks and months. There had been, he said, "a considerable amount of forethought and planning".

His comments were seen as an implicit response to the suggestion that the government had only increased its efforts after a call from Mrs Margaret Thatcher, his prede*cessor, on Wednesday.*

He also denied that the allies had encouraged the Kurds to revolt against Saddam Hussein, saying it had always been the case that the Iraqi military was in the best position to get rid of Saddam's regime.

Mr Neil Kinnock, leader of the opposition Labour party, welcomed the steps the British *government had taken to* respond to the crisis. He acknowledged the restraints on military intervention by the allied forces, and called for the international economic sanctions against Iraq to be maintained until attacks on civilians had stopped.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Berlin	F	13	55	Caracas	F	29	84	Faro	C	15	59	Islamabad	F	27	81
Algiers	C	15	59	Biarritz	R	15	59	Casablanca	F	17	63	Florence	F	18	64	Istanbul	C	9	48
Amsterdam	S	12	54	Bombay	C	32	90	Chicago	C	12	54	Frankfurt	F	13	55	Jakarta	R	30	86
Athens	C	15	59	Bordeaux	R	9	48	Cologne	F	13	55	Geneva	C	10	50	Jersey	C	9	48
Bahrain	T	26	79	Boulogne	R	7	45	Copenhagen	C	8	46	Gibraltar	S	17	63	Johannesburg	S	23	73
Bangkok	F	35	95	Brussels	F	11	52	Corfu	F	15	59	Glasgow	C	9	48	Lima	F	26	79
Barcelona	F	14	57	Budapest	S	16	61	Dallas	C	14	57	Helsinki	S	10	50	Lisbon	C	14	57
Beirut	–	–	–	Buenos Aires	C	19	66	Dublin	C	10	50	Hong Kong	C	19	66	London	R	8	46
Belfast	F	5	41	Cairo	S	25	77	Dubrovnik	F	16	61	Innsbruck	F	12	54	Los Angeles	S	13	55
Belgrade	S	17	63	Cape Town	S	26	79	Edinburgh	C	10	50	Inverness	C	8	46	Luxembourg	C	10	50

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	16	61	Milan	C	12	54	Nicosia	F	18	64	Salzburg	C	13	55	Tenerife	C	19	66
Madrid	C	11	52	Montreal	S	3	37	Oporto	R	13	55	San Francisco	S	9	48	Tokyo	S	15	59
Majorca	S	16	61	Moscow	S	14	57	Oslo	R	4	39	Seoul	S	14	57	Toronto	S	-2	28
Malaga	S	19	66	Munich	C	10	50	Paris	R	9	48	Singapore	F	30	86	Tunis	F	19	66
Malta	F	17	63	Nairobi	F	25	77	Peking	S	18	64	Stockholm	S	11	52	Valencia	F	19	66
Manchester	F	9	48	Naples	F	19	67	Prague	F	15	59	Strasbourg	C	12	54	Venice	F	14	57
Manila	F	33	91	Nassau	C	27	81	Reykjavik	Sn	-4	25	Sydney	S	25	77	Vienna	F	14	57
Melbourne	C	17	63	New Delhi	S	32	90	Rhodes	F	16	61	Taipei	C	24	75	Warsaw	F	16	61
Mexico City	C	34	93	New York	S	8	46	Rio de Janeiro	F	29	84	Tangier	F	15	59	Washington	F	6	43
Miami	F	23	73	Nice	F	16	61	Rome	F	17	63	Tel Aviv	F	20	68	Zurich	C	9	48

Temperatures at midday yesterday. C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

US insurer to cut workforce by 25%

USF&G, the troubled US insurance group, has announced plans to cut its 11,800 strong workforce by around a quarter. The Baltimore-based insurer yesterday also revealed intentions to reorganise its operations so that commercial and personal insurance lines become discrete businesses with independent profit centres. USF&G reported a $569m loss last year and cut its dividend from 25 cents a share to 5 cents. Page 18

Tomorrow and tomorrow ...

A business consortium known as the Atlantal group is negotiating with the Icelandic government, the country's National Power company and local authorities to build a 210,000-tonnes-a-year aluminium smelter. The project has been anxiously awaited in Iceland as it could mean a significant boost to the country's economy. But agreement has been fraught with delay and the original time-table has been adjusted more than four times already. Page 30

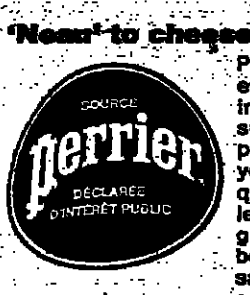
Irish Sugar and spice

The imminent stock market listing of the Irish Sugar Company, a state-run concern since the 1930s, kicks off the Dublin government's carefully constructed privatisation programme. Having confronted financial ruin only five years ago, Irish Sugar has staged a remarkable turnround, largely due to heavy government investment. Chris Comerford, group chief executive (above), says the public perception of the group has changed: it is now looked on as "a solid, efficient enterprise" that has aspirations to expand overseas into a "broadly-based agribusiness". Kieran Cooke reports. Page 22

Fancy footwork for Scholl

Scholl, the personal and foot care products group, reported a small fall in profits last year after implementing a major restructuring programme. Following a number of disposals, turnover was almost halved to £145.75m ($259.4m) and pre-tax profits dipped to £14.18m from £15.91m. Neil Franchino, chief executive, said that last year's performance reflected its success in penetrating certain markets and in developing new products. Page 23

'Near' to cheese and yoghurt



Perrier, the French mineral water group, is selling two dairy products subsidiaries – cheese producer Valmont and yoghurt group Jean Jacques – to Besnier, the leading French dairy group. No price has been announced for the sale. Besnier, a family-owned group with sales estimated at FFr20bn ($3.52bn) last year, is already a leading name in French butter and milk markets, and dominates the camembert cheese market. This acquisition will strengthen its blue cheese sector. Page 18

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Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
[illegible]	493.5	+	8.5	Cred Lyon (C)	675	+	13
[illegible]	829	+	24	Gn Occidentale	739	+	111
				Locafrance	489.8	+	15.2
Falls				Falls			
BHF Bank	411	-	9	[illegible]			
[illegible]	773	-	9	Accor	618	-	19
[illegible]	654	-	10.5	Alcatel Als	600	-	21
[illegible]	880	-	30	Bancaire Cie	502	-	10
NEW YORK (Dollars)				TOKYO (Yen)			
Rises				Rises			
Apple	71⅞	+	1⅜	Fuji Kiko	1290	+	170
[illegible]	19⅝	+	⅜	Pacific Ind	700	+	75
[illegible]	15⅞	+	⅜	Taiko Electric	770	+	100
Falls				Falls			
[illegible]	25	-	4⅛	[illegible]	1860	-	100
[illegible]	23⅞	-	1⅞	[illegible]	2300	-	200
[illegible]	36⅝	-	1	Nitto Boseki	1950	-	210

New York prices as at 12.30pm.

LONDON (Pence)							
Rises							
[illegible]	131	+	11	Stanley Leis.	150	+	10
[illegible]	800	+	165	Tilbury	723	+	19
[illegible]	806	+	14	WPP	189	+	23
[illegible]	74	+	12	Falls			
[illegible]	72	+	8	ADT	82	-	5
[illegible]	508	+	24	Brit Airways	183	-	8
[illegible]	473	+	11	Eurotunnel	495	-	18
[illegible]	72	+	8	[illegible]	85	-	11
[illegible]	459	+	10	[illegible]	18	-	3
[illegible]	383	+	10	[illegible]	22	-	9

BMW aims to beat last year's record

By Andrew Fisher in Munich

BMW, the German luxury car producer, expects to exceed in 1991 last year's record profit performance, Mr Eberhard von Kuenheim, the chief executive, said yesterday.

He also said "several hundred million D-Marks" might be invested in a new east German plant. He declined to say if this would be in the aero-engine sector, where BMW has a partnership with Rolls-Royce of the UK. BMW has said a second site is being sought to add to its aerospace plant near Frankfurt.

Despite the world economic slowdown, tax rises in Germany, and the possibility of high wage settlements in German industry, he asserted: "We are very confident about 1991."

Last year, BMW raised turnover by 2.5 per cent to DM27.2bn ($16.34bn), group pre-tax profits by 6.5 per cent to DM1.7bn, and net profits by 25 per cent to DM696m.

The steeper rise at the net level was caused by a lower foreign tax bill. Earnings per share were DM57 against DM54.

Mr von Kuenheim said turnover would approach DM30bn this year. He declined to quantify profits growth. "We are not prophets, and we live in a time of discontinuity."

Because of the introduction of the new 3-series – BMW's smallest model – output in the first three months of 1991 fell by 16 per cent to 125,000 cars.

Turnover for the first quarter was 10 per cent less at DM6.3bn, but Mr von Kuenheim said the January-April figure would exceed last year's DM9.2bn.

By early autumn, production of the new 3-series should be running at 1,500 a day against 1,200 for the previous model. This model accounts for just over half of BMW's output, which rose last year by 1.6 per cent to 520,000 cars.

Mr Volker Doppelfeld, the finance director, said last year's increase had occurred despite interruptions caused by the introduction of the new 3-series and the large 850i coupe.

The weakness of the dollar, the yen and other currencies against the D-Mark also held back turnover. At unchanged rates, turnover would have been DM1bn higher.

Dai-Ichi Kangyo in Tokyo link-up

By Stefan Wagstyl in Tokyo

DAI-ICHI Kangyo Bank, Japan's largest commercial bank, yesterday announced a wide-ranging business tie-up with Jonan Shinkin Bank, the country's biggest community bank.

The agreement, which covers the mutual introduction of customers and joint development of services, is the first such comprehensive venture between a large commercial bank and a local bank.

Bankers say other banks could strike similar deals as they respond to increased competition created by financial deregulation.

Small banks prefer tie-ups to being taken over by large institutions, especially as such takeovers usually occur when a small bank is in difficulties. For example, last month Tokai Bank, a leading commercial bank, acquired Sanwa Shinkin Bank, a small bank which over-extended itself with loans to property and stock market investors.

With deposits of Y2,200bn ($1.59bn) last September, Jonan Shinkin is regarded as one of the most successful of Japan's 450 "shinkin" banks, which rank in size below regional banks and above credit unions. The bank is based in Tokyo, an area in which large banks are keen to expand.

It already has a link with the Bank of Tokyo, the large commercial bank, in foreign exchange, but this is much narrower than the tie-up envisaged with Dai-Ichi Kangyo. Mr Minoru Makabe, the Jonan president, said a small bank could not provide the range of services customers required, including securities and international banking.

For Dai-Ichi Kangyo, which had deposits of Y48,600bn last September, the great attraction of the venture is to increase its access to small and medium-sized companies which can be more profitable clients than large corporations.

Charles Leadbeater reports on industry's reaction to UK entry

ERM – waiting for the dog to bark

HEADS shake, eyebrows lift, shoulders shrug and expressions go blank. That is generally what happens when the executives of British manufacturing companies are asked to assess the impact upon their businesses of sterling's six months' membership of the European Exchange Rate Mechanism.

The apparent confidence that industry can deal with life inside the ERM stretches from medium-sized, UK-based engineering groups such as Glynwed, to large international groups such as the conglomerate BTR.

"It has had no real impact on wage bargaining, our competitiveness, our financing, or our exchange-rate management," says Mr Gareth Davies, chairman and chief executive of Glynwed.

Mr Chris Bull, BTR's finance director, comments: "There is no fundamental difference operating inside the ERM."

This appears to be quite a change of tune. Sterling's entry into the ERM, announced last October 5, provoked dire warnings from industry that the central rate of DM2.95 was dangerously high. These warnings seemed to be borne out as entry coincided with the UK's slide into recession.

However, according to manufacturing executives, ERM membership alone was not a significant force pushing Britain into recession. They say the business environment is remarkably unchanged with sterling inside the mechanism. The limited impact of the first six months may have persuaded some that the long haul will not be as difficult as first thought. Could the ERM turn out to be the economic equivalent of a ferocious-looking dog that failed to bark?

It is still too early to say, because it is hard to disentangle the effects of the ERM from other factors affecting British business.

Executives believe the main impact has been to keep interest rates higher than they would otherwise have been because sterling must remain within 6 per cent of its central rate.

"It is just one factor in the whole scene. There has been no direct ERM effect, the main problem has been the indirect effect via interest rates," says Mr Robert Easton, chief executive of Delta, the cable and plumbing equipment manufacturer.

At well-managed companies, the ERM just reinforces established disciplines.

"We are not cutting costs because we are in the ERM. We just do it because it is a way of life," says Mr John Cahill, BTR chairman.

The air of unreality about membership has been fed by the belief that the government has not yet fully committed itself to the disciplines of the ERM. Until it does, industry will not.

A 6 per cent band still leaves a wide scope for volatility. Sir Peter Casalet, chairman of APV, the food manufacturing equipment maker, says: "A 6 or 7 per cent movement in exchange rates can still wipe out your profit margins on export business."

The implication is that industry will only really knuckle down when the UK moves to the narrow band which allows a fluctuation of 2.25 per cent. Many expect that before that, sterling will be realigned. "We certainly expect a realignment at some stage before we go into the narrow band," says Mr Michael Garner, finance director of TI, the engineering group. "We are still hedging on cross-border deals because exchange rates within Europe can still move some distance."

Although the disciplines of ERM membership have proved to be fairly gentle in the short run, there seems to be a growing awareness among manufacturers that there is no turning back. Only a handful dare suggest that Britain should retain the option of pulling out. Most believe that, having entered the ERM pool at the warm, shallow end, Britain is about to be dragged into colder, deeper and altogether more treacherous waters. It is only once the recession is over that the ERM discipline will come into its own.

"The real test is not whether we can get inflation down through a recession," said Mr Robin Biggam, chief executive of BICC, the cable manufacturer, "but whether the ERM will help to keep inflation down when growth picks up in 1992."

Mr David Lees, chairman of GKN, the automotive components and industrial services group, comments: "If we do not crack inflation within the next three years, then manufacturing in the UK will get very tough indeed, with a cost base inflating at a faster rate than in competitor countries. If Ford, your main customer, limits you to a 3 per cent price increase world-wide, you cannot allow costs to rise by 8.9 per cent, the level of the retail price index in the UK."

This message of cost containment suggests that there could be a new discipline to wage bargaining and continued job cuts in manufacturing for a few years.

At the Weir group, the Glasgow-based pump manufacturer, chief executive Mr Ron Garrick is spreading a tough message to his managers: "If we make a pay offer of 8 per cent, then we have to get cost savings of at least 5 per cent, because our competitors are focusing on an inflation rate of at most 3 per cent to 4 per cent. Unit costs cannot rise by more than 3 per cent a year."

Mr Andrew Teare, the new chief executive of ECC, the world's largest supplier of china clay, has identified adjusting to ERM membership as one of the most important issues facing the company. Mr Bob Carlton-Porter, ECC's finance director, says: "We are looking at our cost base in a much more detailed way. We cut overheads by 20 per cent last year and we are examining capital investment more selectively."

The next few years could mark a turning point for UK industry. If management does not have the stomach for a determined drive on productivity and costs, Britain will begin to price itself out of the market as a manufacturing base. On the other hand, the rewards could be great if management takes up the challenge.

There is a widespread view that there is still scope within UK industry for big improvements in productivity to ease adjustment to the ERM.

Dr Alan Watkins, Hawker Siddeley's chief executive, says he was unhappy with sterling's entry rate, but he does not believe the long-term threat will be great. "Within Hawker, we have got a lot of headroom because there is still a wide gap between where we are and the world's best practice in manufacturing. The UK and the productivity improvements are still there to be got."

Mr Gary Allen, chief executive of IMI, the Midlands engineering and metals manufacturer, says: "The UK remains a very cost-effective economy in which to invest."

Many can already see the benefits of the extra stability provided by membership. ECC, for example, is able to provide customers with more reliable prices, which can form the basis for longer-term international supply agreements. IMI can set more predictable transfer prices for components which are shipped from the UK to continental Europe.

Those are the benefits of what could be a long haul for British industry.

Béghin-Say plans FFr3bn expansion in eastern Europe

By George Graham in Paris

BEGHIN-Say, the French sugar company controlled by Italy's Ferruzzi group, is to tap the market for FFr3bn to finance its expansion projects in eastern Europe.

The group, which yesterday announced a 5 per cent fall in net profits last year to FFr1.08bn ($191m) as a result of lower exceptional earnings, said it planned to issue FFr1bn of new shares and FFr2bn of convertible bonds.

The conditions of these issues have yet to be fixed, but Ferruzzi, which owns about 61 per cent of Béghin-Say's capital, said it planned to subscribe to its share.

Company officials said the cash was needed principally to finance a planned corn starch factory to be built in eastern Germany at a cost of DM250m ($150m) to DM300m by its subsidiary Cerestar, European leader with a market share estimated at 35 per cent.

The company is also studying projects for expanding its sugar and edible oils divisions in Hungary.

Béghin-Say said group operating profits rose 6 per cent to FFr2.35bn, on sales up 2 per cent to FFr37.7bn.

Financial expenses diminished by 11 per cent to FFr863m, leaving pre-tax current earnings 19 per cent higher at FFr1.49bn.

The company recorded only FFr461m of exceptional profits last year, compared with FFr661m in 1989.

This reflects Béghin-Say's withdrawal over the past four years from its paper interests in the Kaysersberg tissue company and the Béghin-Corbehem paper mill.

The last 30 per cent stake in Kaysersberg was sold off in 1990, producing a pre-tax exceptional gain of FFr488m. The previous year had included not only the disposal of a first 20 per cent tranche of Kaysersberg but also the sale to Feldmühle of Germany of the 50 per cent stake it still held in the Béghin-Corbehem paper mill.

Béghin-Say's net debt stood at FFr8.47bn at the end of 1990, compared with shareholders' funds of FFr7.94bn. The company had announced plans for a rights issue in 1989, but cancelled these in the light of the stock market fall and of the FFr2bn cash it raised by selling its paper industry assets.

The company proposes a 10 per cent increase in its dividend to FFr27.50 a share, or FFr41.25 including tax credit.

NYSE firms reverse into loss

By Patrick Harverson in New York

THE US securities industry last year suffered its worst 12 months since 1973, according to figures released by the New York Stock Exchange yesterday.

The NYSE's full report on member firms showed that the 333 securities companies who conduct business on the stock market suffered their first loss in 17 years.

The exchange said its member firms lost $106m before tax last year on revenues of $54bn. In 1989 they made a $1.2bn profit on revenues of $59.5bn. The bulk of the losses were incurred in the fourth quarter, when member firms lost $128m on revenues of $13.3bn.

In the fourth quarter of 1989, a loss of $61m on revenues of $14.4bn was recorded.

The figures collected by the NYSE include income from all sources, including trading, interest and commission. Only the "specialists" made a profit. These are the marketmakers who initiate share trades on the floor of the exchange. They have a much smaller cost base than the big broking houses.

Specialists reported net income of $1m for 1990 on revenues of $284m. However, this was still well down on the $52m profit earned in 1989. In the fourth quarter of 1990, specialists made a profit of $6m.

Several factors pushed down earnings and revenues in 1990. Trading volume on the stock exchange fell sharply during the year. Investors shied away from equities, frightened by falling stock values, and growing economic uncertainty. High US interest rates also meant that cash, bonds and other forms of assets were more attractive than stocks.

The fall in turnover dealt a blow to fee income from underwriting and broking, which declined dramatically. There was a similar fall in other, once profitable, lines of business. Investment banking income fell as mergers and acquisitions, leveraged buy-out financing, and new share and bond issues business fell sharply and, in some cases, almost disappeared.

Securities houses also underwent significant restructurings last year which made the earnings picture look worse.

This year, however, the industry is already looking better. Trading volume on the stock market has risen as investors return to equities, encouraged by lower interest rates and hopes of a quick recovery from recession.

ADT plans to sue Laidlaw over 'reckless allegations'

By Richard Gourlay

RELATIONS between ADT and its largest shareholder, Laidlaw, continued to spiral downwards yesterday when the car auctions and security company said it would to sue the Canadian waste management group for defamation.

The case against Laidlaw and its chief executive, Mr Donald Jackson, will be filed in a UK court. It follows a complaint made before a New York District Court on Monday in which Laidlaw alleged ADT directors had manipulated their company's share price for several years through transactions between ADT and its affiliates.

ADT said its defamation case would be based on the "untrue, scurrilous and reckless allegations" contained in Laidlaw's New York case which had been reported internationally.

The latest court action further raises the temperature of a struggle for control of ADT's board on which Laidlaw has no representation in spite of its 28.4 per cent stake.

Laidlaw's case includes a request for the New York court to nullify an agreement with ADT that has left it with no representations.

Mr Michael Ashcroft, ADT's chairman, also described as "blatantly incorrect" Laidlaw's allegation he had sold 5 per cent of the shares of BAA, the former British Airports Authority, last November shortly before ADT sold 23m shares in BAA. Laidlaw claimed Mr Ashcroft had used inside information to sell his own stock before the market knew of ADT's sale.

ADT said in a statement: "Mr Ashcroft wishes categorically to state in public that, other than through ADT, he has never held a personal interest (including any family or associated interest) in any shares in BAA."

Affiliate pulls Nissan Motor down by 40%

By Stefan Wagstyl in Tokyo

NISSAN Motor, the Japanese carmaker, is expected to report a 40 per cent fall in consolidated net profits for the year to the end of March.

The company blames poor market conditions and the cost of covering the losses of Ikeda Bussan, a group components manufacturer, which suffered heavily through securities investments.

While other Japanese carmakers are suffering from the effect of weak demand in world markets, particularly in the US, the crisis at Ikeda means the decline in profits at Nissan will be particularly severe.

Nissan's shares fell Y24 to Y776 yesterday while those of other leading manufacturers rose.

Stockbroking analysts forecast group net profits will fall to around Y70bn ($509m) from Y116.01bn last year.

Nissan, which owns 43 per cent of Ikeda, said it was not making a forecast but conceded its affiliate's losses would have an impact on the group result.

Ikeda said it would report a Y33.7bn loss for the year to the end of March, compared with a net profit last year of Y860m, due to losses on its investments plus heavy interest charges incurred funding its financial portfolio.

Nissan is to rescue Ikeda by sending in employees and assisting with its financing and sales.

The rescue shows how financial crises and second and third-tier companies are affecting Japan's top corporations. In Japan, large groups are expected to stand by their affiliates if they can afford to do so. Nissan said it was rescuing the company because the underlying manufacturing business was sound. The problems were in Ikeda's zaitech – or financial investments – said Nissan.

Bankers expect more such bail-outs as problems caused by last year's fall in stock market prices and weakness in the property market drive more small and medium-sized companies to the brink of bankruptcy.

GKN buys east German group

By John Griffiths in London

GKN, the UK components, industrial services and defence group, is making its first significant push into eastern Europe through the purchase of an east German motor components maker, Gelenkwellenwerk Mosel (GWM).

GWM employs 1,335 people to produce constant velocity driveshafts for cars at Mosel, southern Saxony. The acquisition is seen by GKN as the first of what could be several ventures to exploit the growth potential of vehicle markets in eastern Europe.

Two million cars were produced in eastern Europe last year – excluding east Germany – but GKN believes that annual output is set to grow to 3m by 1995.

In east Germany, GKN expects annual car output to rise to 400,000 by 1995, compared with 156,000 last year, as the planned car plants of Volkswagen, General Motors and others come on stream.

GKN is paying only DM4m ($2.4m) for GWM, to cover plant, machinery and stocks, with the land and buildings being taken over on a long lease. However, it expects to invest up to £25m ($44.5m) over the next three to four years in completely refitting the manufacturing operations.

GWM was set up in 1978 initially to supply constant velocity joints for the outdated Trabant. In the past 10 years, its customer base has broadened to include Citroen, Peugeot, Skoda of Czechoslovakia, and the Yugoslav carmaker, Zastava.

GWM is also virtually certain to be the supplier of the driveshafts for the Golf and Polo cars which Volkswagen will begin assembling later this year at a new plant in Mosel. However, neither GWM nor Volkswagen will confirmed any formal agreement.

GWM is also a likely front runner to supply driveshafts to the plant which Opel is building in Eisenach, eastern Germany.

The Eisenach plant will produce 150,000 cars a year by the mid-1990s.

Despite extensive job losses in eastern Germany, as its outdated industries face the full force of international competition, GKN said last night it planned no redundancies.

Costain in £77m fundraising

By Jane Fuller in London

COSTAIN Group, the UK construction, mining and engineering concern, is raising £77m ($137) in a rights issue to help reduce net debt from a peak of £372m.

UK building and property groups have tapped the market for a total of £650m in nine rights issues so far this year.

Costain's two-for-seven issue of 51m shares, at 155p each, was anticipated by the market and Costain's share price gained 5p to close at 220p yesterday. This was in spite of a 90 per cent slump in taxable 1990 profit to £5.5m on turnover of £1.49bn, down from £1.33bn.

The pre-tax fall from £57.7m, itself a sharp decline, included a £25m write-down in land values, against £20m last time, reflecting the concentration of sites in the south of England and the weight of purchases made in the higher-price days of 1987 and 1988.

Mr Peter Sawdy, chairman, said Costain had planned a rights issue in 1989, when it paid £121m for outstanding stock in Pyro Energy, a US coal mining company. Legal difficulties prevented an issue and the July purchase sent gearing up to 75 per cent.

Less than two months later, an explosion which killed 10 people shut the mine for 14 weeks and production was severely disrupted for most of last year.

Interest payments, inflated by the acquisition, rose £10m to £33.9m, eating into operating profit of £64.4m, down from £101.6m.

The £77m rights issue proceeds, plus disposals and cuts in investment and working capital, would substantially reduce gearing from its year-end level of 80 per cent. That was on net debt of £293m, a £110m reduction since the previous December. The more recent figure of £372m represented a seasonal high.

Costain held its final dividend at 7.7p for a total of 12.25p and plans to maintain it this year. Earnings per share were 12.2p, against 28.8p, before land write-downs and 1.6p, against 21.5p, after them.

Commercial and residential property lost £2.7m compared with a 1989 operating profit of £34.3m. The value of the commercial property portfolio fell to £142m from £206m.

Mining profit improved to £40.1m from £37.9m, after a strong performance in Australia.

Lex, Page 14

Poliet advances to FFr1.14bn

By George Graham

POLIET, the building materials group at the centre of a series of share offers by the Paribas investment banking group, has announced a FFr439m jump in net profits to FFr1.14bn ($202m) last year, thanks to a FFr570m exceptional profit on the sale of its plaster businesses last year to BPB Industries.

The company said net profits from its operating divisions rose 16 per cent to FFr843m, but it had to write off FFr79m of goodwill and made an exceptional provision of FFr94m for the cost of restructuring companies it acquired in the carpentry sector.

The FFr7bn to FFr12bn series of paper offers launched last week by Paribas is expected to give Poliet outright control of Ciments Français, the second largest French cement group, of which it already owns 28.5 per cent, and in turn place Poliet under the full control of Paribas, which currently owns 39.4 per cent.

US leads corporate advisers

By Brian Bollen in London

US BANKS appear to be winning the battle to advise corporate Europe. They fill six of the top 10 places in the first European cross-border bids league table compiled by FT Mergers & Acquisitions International magazine.

The table includes only completed and lapsed cross-border bids with a continental European or UK arm.

Goldman Sachs leads the table, as it does the magazine's broader international rankings, with five transactions totalling $3.94bn.

The Lazard group and Lehman Brothers International are close behind with transactions worth $3.81bn and $3.75bn respectively.

The rankings are dominated by two large transactions completed in the first quarter: Allianz of Germany's $3.3bn purchase of Fireman's Fund Insurance Company of the US and Northern Telecom of Canada's £1.34bn ($2.38bn) acquisition of the UK's STC.

The top 10 banks recorded 49 deals, totalling just over $11bn.

EUROPEAN CROSS-BORDER BIDS (Jan 1 to Mar 31 1991)

	Adviser	Value $m	No of Bids
1.	Goldman Sachs	3,941	5
2.	Lazard Group	3,806	8
3.	Lehman Bros Intl.	3,751	5
4.	Morgan Grenfell	2,923	8
5.	Baring Bros.	2,644	2
6.	Chase Manhattan	2,140	6
7.	Morgan Stanley	1,933	7
8.	First Boston	997	5
9.	S.G. Warburg	890	5
10.	J.P. Morgan	627	8

Includes only completed or lapsed cross-border bids with a continental European or UK leg.

Uddeholm improves to SKr233m

By Robert Taylor in Stockholm

UDDEHOLM, the Swedish steel company, yesterday reported a 5 per cent improvement in its profits for 1990 to SKr233m ($38.5m), after financial items, compared with SKr222m in the previous year. It said that, due to weaker demand for steel products, profits for 1991 were expected to be worse.

Sales last year fell to SKr2.676bn from SKr2.823bn in 1989, while profit per share rose to SKr8.10 from SKr7.70.

Last December, Uddeholm said it intended to merge with Boehler, a unit of Austria's state-owned Voest-Alpine Stahl, to create the world's largest maker of special tool steels.

● Trelleborg, the Swedish mining and industrial conglomerate, has signed a co-operation agreement with the German company Phoenix, one of Europe's leading rubber manufacturers, for technical and commercial development.

Mr Frederik Arp, president of Trelleborg Industries, the parent company of the rubber and plastics business of the group, said the two companies had "many points in common".

Phoenix, with its headquarters in Hamburg, had a turnover of DM1.1bn ($661m) last year.

Japanese banks form commercial link

By Stefan Wagstyl

DAI-ICHI Kangyo Bank, Japan's largest commercial bank, yesterday announced a wide-ranging business tie-up with Jonan Shinkin Bank, the country's biggest community bank.

The agreement, which covers the mutual introduction of customers and joint development of services, is the first such comprehensive venture between a large commercial bank and a local bank.

Bankers say other banks could strike similar deals as they respond to increased competition created by financial deregulation.

Small banks prefer tie-ups to being taken over by large institutions, especially as such takeovers usually occur when a small bank is in difficulties. For example, last month Tokai Bank, a leading commercial bank, acquired Sanwa Shinkin Bank, a small unit which over-extended itself with loans to property and stock market investors.

With deposits of Y2,200bn ($1.59bn) last September, Jonan Shinkin is regarded as one of the most successful of Japan's 450 "shinkin" banks, which rank in size below regional banks and above credit unions. The bank is based in Tokyo, an area where large banks are particularly keen to expand.

It already has a link with the Bank of Tokyo, the large commercial bank, in foreign exchange, but this is much narrower than the tie-up envisaged with Dai-Ichi Kangyo.

Mr Minoru Makabe, the Jonan president, said a small bank could not provide the range of services required.

Mapfre rises 37%

CORPORACION Mapfre, Spain's biggest insurance group, reported a 37 per cent rise in consolidated net profit last year, helped by a sharp rise in investment income, AP-DJ reports from Madrid.

The insurer reported net profit of Pta4.45bn against Pta3.23 bn in 1989.

"Our investments are beginning to pay off," Mr Domingo Sugranyes, the general manager said.

INTERNATIONAL COMPANIES AND FINANCE

GFSA mines hold decline to 7.5%

By Philip Gawith in Johannesburg

COMING in a week which saw the local gold mining industry hit by a mine closure and the suspension of a big exploration project, the seven mines managed by Gold Fields of South Africa (GFSA) performed better than expected to report only a 7.5 per cent decline in after-tax profits to R219.8m ($73.6m) in the March quarter.

The gold price received was 1 per cent down on the previous quarter at R30,929/kg. Gold production and revenue were largely unchanged at 28,267kg and R875.3m. An indication of hard times, however, was the drastic reduction in capital expenditure from R203.6m to R141.5m, with only vital long-term projects being pursued.

Mr Alan Munro, executive director, said both East and West Driefontein had done well to lower their costs per ton milled. East Driefontein battled with production difficulties which saw the yield drop from 8.2 to 7.9g/t. He described the yield of 11.4g/t at West Driefontein as the outstanding feature of what was "far and away the best mine in the industry" on any measure.

The mine produced 8,027kg of gold in the quarter at a profit of about R15,000/kg to record a working profit of R128.5m.

Working profit at East Driefontein was R67.5m and the combined after-tax profit of Driefontein Consolidated was R123.8m.

Driefontein was the only mine in the group to pay tax and there are probably only three other mines in the industry which will pay tax this year.

Kloof, the other very rich mine in the group, did well to lift its grade, from 12.5 to 12.8 g/t, and gold production to 6,937kg, given severe disruption caused by a shaft accident. Production commenced during the quarter at the Leeudoorn division. After-tax profit declined to R81.9m from R91.3m.

Of Venterspost, the group's most marginal mine, Mr Munro said: "The patient is still alive, but gravely ill." The mine made a working loss of R6.1m. Also in difficulty are Libanon and Doornfontein, which made working losses of R1.2m and R7.7m respectively.

Kvaerner Engineering confirms Swiss buy

By Karen Fossli in Oslo

KVAERNER ENGINEERING (KE), a unit of Norway's big Kvaerner group, yesterday confirmed that it had acquired a majority 60 per cent stake in R.J. Brown and Associates, a Swiss-based, privately-owned company which is among the world's leading marine pipeline engineers for the oil and gas industry.

Mr Olav Furnes, KE's president, said he could not disclose the purchase price but explained that with the deal came a purchase option for his company to fully acquire R.J. Brown and Associates in two separate 20 per cent acquisition phases.

The takeover of the company propels KE to a strong position to compete in markets outside the North Sea. In particular, the company's presence in south-east Asia, where it has been working since 1981, will be strengthened substantially.

R.J. Brown and Associates was established in 1969 and has main offices in Houston, London, Singapore and Sydney.

Mr Furnes said:

"The combined strength of R.J. Brown and Associates and Kvaerner Engineering in south-east Asia will enable us to extend our product range and to undertake larger deliveries, making us a powerful offshore engineering organisation in a region where investments are expected to be high over the next few years."

In a deal announced earlier this week, EB Corporation, the Norwegian unit of ABB Brown Boveri, the European electrical and engineering group, was strengthened by ABB's acquisition of Vetco Gray, one of the world's leading suppliers of underwater production equipment for the oil and gas industry.

● Danisco, the Danish food, drink and packaging group, has agreed to pay Sweden's Svenska Cellulosa DKr500m ($78m) for the 50 per cent of Colon Emballage it did not already own, Reuter reports from Copenhagen.

Colon has annual sales of about DKr1.1bn and is Denmark's biggest producer of corrugated cardboard with a market share of 30 per cent.

CSR again downgrades forecast

By Mark Westfield

CSR, the Australian sugar and building products group, has further downgraded its profit expectations for the year to March 31, as trading conditions in its main markets in Australia and the US remain depressed in the second half.

Mr Ian Burgess, the group's chief executive, said yesterday that net earnings before abnormal and extraordinary items were likely to be 20 per cent below last year's result of A$466.9m (US$315.4m) after forecasting last November a 12 per cent downturn for the year. CSR's earnings for the half-year to September 30 were 12 per cent down at A$206m.

The latest forecast would bring in CSR's after-tax earnings at A$325.5m. CSR's share price dipped 2 cents to A$5.34 on the news.

Mr Burgess also said he did not expect the full-year dividend to be held at last year's 40 cents, but the board had yet to make a final decision on this issue.

"Economic conditions in Australia and the US are worse than expected and CSR's markets have not recovered," Mr Burgess said in a statement to the Australian Stock Exchange.

He said markets for CSR's products could deteriorate further. World sugar prices remained depressed and construction activity in Australia continued to decline, with building approvals in February 2.9 per cent below the previous month.

Australian Air back in profit

By Mark Westfield in Sydney

AUSTRALIAN Airlines, the government-owned domestic carrier, has weathered the turbulence of deregulation and the Gulf crisis to report a A$8.97m (US$6.95m) profit for the six months to December 31.

This compares with the reported loss of A$48m for the corresponding period in 1989, when the country's 1,500 domestic pilots resigned over a pay dispute and plunged the industry into a drawn-out and costly confrontation.

Mr John Schaap, Australian Airlines' chief executive, predicted in November that the airline, which is due to be privatised, would earn between A$60m and A$100m for the financial year ending on June 30. His forecast was made before the Gulf crisis had increased the airline's fuel bill by an additional A$65m and reduced the number of overseas tourists flying into Australia.

Mr Ted Harris, chairman, yesterday declined to predict the full-year result, but said it would be helped by the sale of aircraft.

Mr Harris said Australian Airlines had suffered from the effects of a price-cutting war after the domestic airline industry was de-regulated on November 1, and an unexpected drop of about 9 per cent in passenger numbers.

A new rival airline, Compass Airlines, reported a A$1.8m loss for the same six months.

Record year's trading for Tan Chong Motor

By Lim Siong Hoon in Kuala Lumpur

TAN Chong Motor, one of Malaysia's largest industrial groups, raised operating profits by 78 per cent in 1990 to M$270m (US$27.2m) on turnover 26 per cent ahead at M$2bn.

Net profits last year were up by 54 per cent to M$165m, or 24.5 cents a share compared with 15.9 cents previously.

The results, the best ever achieved by the automobile group, revealed the extent of how its move into auto parts, trucks and tractors have paid off in overcoming four years of competition from Proton, the Malaysian national car group.

Until the introduction of Proton, which now controls two-thirds of domestic car sales of 120,000, Tan Chong was the market leader in the assembly and distribution of the Japanese Nissan car.

Qantas plans to shed more than 3,500 jobs

By Mark Westfield

QANTAS, Australia's international airline, plans to shed up to 5,000 of its 17,000 employees, Mr John Ward, chief executive, said yesterday.

Mr Ward said the airline was still going through the "painful process" of identifying job cuts. He said losses of about 3,500 would be a reasonable estimate but that 5,000 was at the upper end of options.

"If we can identify ways of reducing staff numbers by 5,000 and keep our standards and growth prospects alive, that's what we'll do," he said in a radio interview.

Qantas, expected to be partially privatised soon with the flotation of 49 per cent of its capital to the public, is expected to make an operating loss this year of about A$350m (US$271m). The airline may break even after the sale of 10 of its Boeing 747 aircraft.

Last month, a dozen of the airline's most senior executives said they would be taking 5 per cent salary cuts as part of the cost-cutting measures.

● Ansett Australia Airlines, meanwhile, has said it will seek rights to fly internationally if Qantas is allowed to buy 25 per cent of Ansett's main domestic rival, Australian Airlines.

Mr Tony Hill, Ansett spokesman, said yesterday, in response to reports that Qantas wanted to gain access to the domestic market, that the airline would immediately seek full international rights, if the government agreed to the Qantas request.

According to a report in yesterday's Australian Financial Review, the federal cabinet would soon consider a Qantas request to buy a stake in Australian Airlines as part of the privatisation process for the two state-owned airlines.

Maruti lines up small car for Europe

By K.K. Sharma in New Delhi

SUZUKI Motors of Japan, which has a 40 per cent stake in Maruti Udyog, its joint venture with the Indian government, has agreed to leave the European market for small cars to the Indian company.

Maruti plans to launch a new generation small car in Europe in 1993.

Finding a sizeable export market has become imperative for Maruti to enable it to fulfil its commitment to the Indian government to increase hard currency earnings and finance imports of components at a time when the government has placed restrictions on all imports because of severe balance of payments problems.

Maruti has already started selling abroad its 800cc model – the most widely sold car in India – particularly in France and some east European countries.

The company has signed agreements for the export of 30,000 cars to various countries in the next 12 months. This is expected to fetch it Rs1.8bn ($92m) in hard currency.

According to Mr R.C. Bhargava, chairman and managing director of Maruti, which is India's largest car manufacturer with more then a 60 per cent share of the domestic market, the company's foreign exchange earnings increased to around US$40m in 1990-91 compared to $25.32m in the previous year.

Maruti's turnover in 1990-91 was a record Rs15.87bn, compared with Rs12.50bn in the previous year.

Pre-tax profits are expected to be about Rs450m, compared with Rs500m last year.

INTERNATIONAL COMPANIES AND FINANCE

AT&T acts to dilute control of Unix unit

By Louise Kehoe in San Francisco

AT&T has sold shares in its Unix Systems Laboratories subsidiary which is responsible for the development and licensing of the Unix computer operating system, to 11 computer industry concerns.

The equity sales represent a move by AT&T to dilute its control of Unix in an effort to promote the operating system as an industry wide standard.

Investing in USL are Amdahl, Motorola, Novell and Sun Microsystems of the US, ICL and Olivetti from Europe as well as Fujitsu, NEC, Oki Electric and Toshiba of Japan and the Taiwanese Institute for Information Industry.

Terms of the sale were not disclosed, but the investors are believed to have collectively acquired slightly more than 20 per cent of USL for a reported $65m. In addition, 10 per cent of shares in USL have been reserved for employees.

By divesting a portion of USL, AT&T also aims to boost industry support for its version of Unix, which competes with an alternative version developed by the Open Software Foundation, whose members include IBM, Digital Equipment and Hewlett-Packard.

Mr Robert Kavner, AT&T group executive who heads the company's computer operations, said: "AT&T is convinced that the best way to nurture the growth of the Open Systems movement, and to share in it ourselves, is to establish an independent Unix System Laboratories."

USF&G expects to cut workforce by a quarter

By Nikki Tait in New York

USF&G, the large but troubled US insurance group, said yesterday that it expected to cut its workforce by around a quarter as it attempts a major "downsizing" of its business.

The Baltimore-based multi-line insurer also announced that it planned to reorganise its operations so that commercial and personal lines become two separate businesses with independent profit centres.

On the commercial side, which currently accounts for 60 per cent of USF&G's property/casualty business, the company said it would become more selective about writing business. It recently announced plans to stop writing certain lines of insurance in Texas and Louisiana.

To clamp down on costs, USF&G cut 225 jobs at its head office in Baltimore yesterday. Although it would not detail plans for the personal lines business, the insurer said that by end-1991 it expected to have reduced its total labour force by 25 per cent from the end-1990 level of 11,800.

The cost savings, once the programme was complete, should amount to $100m. This is in addition to around $75m of savings from cost reduction measures already announced.

The insurer announced a $569m loss last year, and cut its dividend from 25 cents a share to 5 cents. Part of the losses resulted from an attempt by USF&G to get its troubled investment portfolio – which contained sizeable junk bond and real estate holdings – into better shape.

A new chairman, Mr Norman Blake, was brought into the insurance group last November, and other management changes have followed.

Support for Campbell Soup

By Karen Zagor in New York

THE MANAGEMENT of Campbell Soup, the big US foods group, received a vote of confidence yesterday when Ms Diana Strawbridge Norris, a member of the minority group which has been pressing for the sale of the company, withdrew her support from the minority group.

In a filing with the SEC, Ms Norris said: "I have taken this action because I no longer share the objectives of the other participants in the Voting Trust.

"I believe that David Johnson and his team are just what Campbell Soup needs at the present time. I would like my shares to be a source of stability to give them a chance to build on their excellent accomplishments."

Speculation about a possible sale of Campbell has plagued the company since 1988, when Mr John Dorrance, the company's founder and patriarch died, leaving about 58 per cent of Campbell in the hands of his heirs. Ms Norris is Mr Dorrance's niece.

But the appointment of Mr David Johnson as chief executive just over a year ago has done much to restore confidence in the company.

Mr Johnson has implemented a wide-ranging restructuring of Campbell in the past year, selling unprofitable operations, discontinuing certain products and streamlining its corporate divisions.

Analysts said Campbell's performance under Mr Johnson has improved significantly. Most of the Dorrance family members are believed to support management, and Ms Norris's action will reduce the dissident minority group's holding to 14 per cent from 17 per cent.

Campbell's stock, which has traded in a range of $43¾ to $84 in the last 12 months, was down $¾ at $82¾ at mid-session yesterday.

More jobs to go in Mitel shake-up

By Robert Gibbens in Montreal

MITEL, the Ottawa-based telecommunications equipment maker unsuccessfully put up for sale last year by British Telecom, is going through another severe rationalisation.

About 400 more jobs will be axed in the next few months, mainly in North America. For the year ended March 28, Mitel will report a "significant operating loss" and also take heavy restructuring charges. Total employment worldwide, after the latest cuts, will be 3,500.

The company is facing the impact of the North American recession on its core switching equipment business and has already laid off 250 employees over the past few months.

Mitel is now merging its US and Canadian marketing groups, closing a plant in Florida and setting up a North American executive office in Washington. However, the corporate headquarters remains in Ottawa.

Corporate operations in Ottawa, Britain and Europe will be rationalised, though the British subsidiary will be affected least since its performance is satisfactory.

Mr Griffiths said the rationalisation is required to get the company back to profitability. Mitel will continue efforts to build its share of the North American and British private exchange markets.

Mitel reported a loss of C$13m (US$11.3m), or 20 cents a share, for the nine months ended December 28 1990, on sales of C$321m. It recently lost several senior managers in a streamlining, including its chief financial officer and the president of its US subsidiary. Last January, Mr John Jarvis, chief executive for four years, resigned and was replaced by Anthony Griffiths.

Molson to write off Harlin exposure

By Bernard Simon in Toronto

MOLSON, the diversified Canadian brewer, is writing off its entire exposure to Harlin Holdings, the troubled Australian group, with which Molson had hoped to forge an international beer alliance.

Molson said it would make provision in its year ending March 31 for its equity investment of C$45m (US$39m) in Harlin, equal to a 6 per cent stake, as well as a C$111m indemnity on a Harlin note which Molson provided to an unidentified North American bank. Molson plans to buy back the Harlin note to avoid further liability for future unpaid interest.

Molson said that, subject to the co-operation of Harlin's main creditors, "there remains a potential for the recovery of its investment," but that it had decided to make the provision "in view of the uncertainty and the length of time likely to be involved in any recovery".

Molson is a partner with Harlin's subsidiary Foster's Brewing in Molson Breweries, Canada's biggest brewer. It recently launched one of its brands, Molson Special Dry, in Courage pubs in Britain.

The Canadian company had hoped to broaden its brewing alliance with Foster's, but was outflanked last year when Asahi of Japan bought a 19 per cent of the Australian group.

Perrier sells dairy sector units

By George Graham in Paris

PERRIER, the French mineral water group, is to sell dairy products subsidiaries to Besnier, the leading French dairy group.

Besnier, a family-owned group with sales estimated at FFr20bn ($3.55bn) last year, was already a strong force in French butter and milk markets, and dominated the camembert cheese market. The deal will greatly strengthen its blue cheese sector.

No price was announced for the sale of the two companies, cheese producer Valmont and yoghurt maker Jean Jacques. Perrier said there would be no net consolidated capital gain on the sale, but it would improve operating profits and reduce the debt burden of its dairy division.

Perrier has been expected to restructure its dairy sector ever since the investment company Exor took over management control of the group last year following the "benzene scare" which forced it to withdraw its entire stocks of Perrier mineral water from sale because of contamination.

The group makes substantial profits on Société des Caves et des Producteurs Réunis de Roquefort, dominant producer of the salty and expensive Roquefort blue sheep cheese, in which it owns 57.5 per cent. It has been losing money, however, on the more mass market products of Valmont and Jean-Jacques.

Valmont, which produces a range of Auvergnat cow's milk cheeses such as Bleu d'Auvergne, Bleu de Causses, Cantal and Saint Nectaire, lost money last year mainly from the dairy products it does not turn into cheese milk and milk powder sold to European Community intervention stocks. Its sales totalled FFr1.2bn in 1989.

Another 500 lay-offs at GTE

By Nikki Tait

US GOVERNMENT defence cuts were blamed for further job reductions yesterday. GTE Corporation, the Stamford-based telecommunications company, announced it was laying off about 500 engineering, administrative and technical employees and three locations in Massachusetts.

These will affect the GTE Government Systems' command, control and communications system sector,the company said.

GTE said that the aim was to improve "cost-effectiveness". Other defence contractors - like Grumman earlier this week - have already moved to cut jobs.

USX warns of loss on steel operations

USX, the large US steel and energy group, yesterday warned that it expected its steel operations to make a "substantial first-quarter operating loss" in the current year, writes Nikki Tait.

Mr Charles Corry, chairman of USX, blamed the impending deficit on "the recessionary climate experienced so far in 1991". This, he said, had "greatly reduced demand and depressed prices in domestic steel markets".

"The company's steel shipment levels remained very low in March, mirroring weak results which occured in the first two months of the year", he said.

"The uncertainty created by the lack of an early labour agreement and the adverse economic climate have had an unfavourable impact on steel orders."

The warning from USX comes on the heels of a similarly gloomy prediction from Bethlehem Steel, another major US producer, earlier this week. Bethlehem also said that it expected to post a first-quarter operating loss, and cited similar experience.

United Air pilots in accord

UNITED AIRLINES, one of the two largest US carriers, has reached agreement with its pilots over a new labour contract, writes Nikki Tait.

United, which has been negotiating with the Air Line Pilots' Association, said the contract would now be submitted to the union's master executive council, for ratification. No details of the new contract have been released.

The previous contract became "amendable" two years ago, and – in the wake of the abortive attempt by United employees to buy out the airline last year – the current round of contract negotiations have been seen as a sensitive issue.

United said yesterday it was still talking "in good faith" with the flight attendants and machinists' unions.

CNBC step closer to FNN deal

By Karen Zagor in New York

CNBC, the cable television division of General Electric's NBC media operations, yesterday moved a step closer to acquiring Financial News Network, when a US bankruptcy court ruled earlier this week in favour of CNBC's $115m bid for the business news media group's cable operations.

CNBC has been battling with a Dow Jones/Westinghouse joint venture for control of FNN since March. FNN was put on the block in November and is operating under the protection of Chapter 11 of the bankruptcy code.

Both bidders offered $115m for FNN's cable operations but a bankruptcy court judge said he would not accept the conditions of the Dow Jones/Westinghouse bid.

The fight for FNN's cable operations, which started in February when FNN agreed in principal to an offer of $90m from the Dow Jones/Westinghouse group, may not be over yet.

The Federal Trade Commission (FTC) is conducting an anti-trust investigation which might stymie the CNBC deal.

CNBC is FNN's only competition in the business cable television arena and the FTC might decide that a merger would be an anti-trust violation.

Gold Mining Companies' Quarterly Reports for the quarter ended 31 March 1991

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited
(Registration No. 68/04880/06)

ISSUED CAPITAL: 204 000 000 shares of 50 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold – East Driefontein			
Ore milled (t)	720 000	720 000	2 135 000
Gold produced (kg)	5 696,8	5 923,6	17 225,6
Yield (g/t)	7,9	8,2	8,1
Price received (R/kg)	30 789	31 034	31 187
Revenue (R/t milled)	243,84	255,64	251,91
Cost (R/t milled)	150,09	152,23	153,97
Profit (R/t milled)	93,75	103,41	97,94
Revenue (R000)	175 567	184 058	537 830
Cost (R000)	108 065	109 603	328 719
Profit (R000)	67 502	74 455	209 111
Gold – West Driefontein			
Ore milled (t)	705 000	705 000	2 115 000
Gold produced (kg)	8 026,9	7 947,4	23 208,3
Yield (g/t)	11,4	11,3	11,0
Price received (R/kg)	30 940	31 305	31 316
Revenue (R/t milled)	352,71	353,37	344,09
Cost (R/t milled)	170,37	172,98	171,88
Profit (R/t milled)	182,34	180,39	172,21
Revenue (R000)	248 662	249 123	727 742
Cost (R000)	120 115	121 950	363 528
Profit (R000)	128 547	127 173	364 214
Reclamation plant — West Driefontein			
Treated (t)	600 000	600 000	1 800 000
Gold produced (kg)	427,4	401,8	1 283,7
Yield (g/t)	0,7	0,7	0,7
Revenue (R000)	13 142	12 541	40 210
Cost (R000)	4 532	4 040	12 242
Profit (R000)	8 610	8 501	27 968
FINANCIAL RESULTS (R000)			
Working profit: Gold and reclamation plant	204 659	210 129	601 293
Tribute royalties	—	1 029	2 675
Net mining revenue	204 659	211 158	603 968
Net sundry revenue (group)	12 709	29 527	55 639
Recovery under loss of profits insurance	—	—	1 196
Profit before tax and State's share of profit	217 368	240 685	660 803
Tax and State's share of profit	93 556	109 786	297 752
Profit after tax and State's share of profit	123 812	130 899	363 051
Capital expenditure	35 065	44 286	124 473
Dividend	—	122 400	122 400

TAX. The new rates of mining and non-mining tax as announced in the budget by the Minister of Finance have been used in the tax computation.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1991 was R775,1 million.

DIVIDEND. A dividend (No. 35) of 60 cents per share was declared on 11 December 1990, and was paid to members on 6 February 1991.

EAST DRIEFONTEIN

No. 5 Sub-Vertical Shaft-E. Equipping of the shaft is approximately 50 per cent complete. Development on 22 Level to the site of the holing of No. 7 Ventilation Shaft-E was completed.

No. 7 Ventilation Shaft-E. The pre-sinking phase was completed with the shaft sunk to a depth of 65 metres below the bank.

No. 1 Tertiary Shaft-E. The shaft was sunk to a depth of 76 metres below the bank on 54 Level. Civil work on the Belt Level continues. The installation of the rock winder is in progress.

WEST DRIEFONTEIN

No. 9 Shaft-W. Site preparation continues.

No. 9 Sub-Vertical Shaft-W. Excavation of the headgear dome on 21 Level continues. The shaft was sliped to full-size to a depth of 27 metres below the bank on 22 Level. On 21 Level work progresses on the establishment of winder chambers, and on 22 Level the installation of kibble and platform winders continues.

On behalf of the board

C. T. Fenton
A. H. Munro } *Directors*

4 April 1991

Kloof

Kloof Gold Mining Company Limited
(Registration No. 64/04462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold – Kloof			
Ore milled (t)	540 000	540 000	1 620 000
Gold produced (kg)	6 937,1	6 776,2	20 404,6
Yield (g/t)	12,8	12,5	12,6
Price received (R/kg)	31 031	31 161	31 315
Revenue (R/t milled)	399,21	391,64	395,04
Cost (R/t milled)	220,14	223,28	219,58
Profit (R/t milled)	179,07	168,36	175,46
Revenue (R000)	215 576	211 488	639 963
Cost (R000)	118 880	120 573	355 716
Profit (R000)	96 696	90 915	284 247
Gold – Leeudoorn			
Ore milled (t)	95 000	—	95 000
Gold produced (kg)	401,0	—	401,0
Yield (g/t)	4,2	—	4,2
Price received (R/kg)	30 158	—	30 158
Revenue (R/t milled)	127,33	—	127,33
Cost (R/t milled)	234,59	—	234,59
Profit/(loss) (R/t milled)	(107,26)	—	(107,26)
Revenue (R000)	12 096	—	12 096
Cost (R000)	22 286	—	22 286
Profit/(loss) (R000)	(10 190)	—	(10 190)
FINANCIAL RESULTS (R000)			
Working profit: Gold	86 506	90 915	274 057
Net sundry revenue	515	359	2 149
Finance costs	(4 980)	—	(4 980)
Profit before tax	82 041	91 274	271 226
Tax	95	(44)	617
Profit after tax	81 946	91 318	270 609
Capital expenditure	72 703	123 566	327 030
Dividend	—	48 440	48 440

TAX. The new rate of non-mining tax as announced in the budget by the Minister of Finance has been used in the tax computation.

CAPITAL EXPENDITURE

(a) The unexpended balance of authorised capital expenditure at 31 March 1991 was R630,7 million.

(b) Included in the total of capital expenditure for the quarter ended 31 March 1991 is an amount of R47,5 million in respect of Leeudoorn.

DIVIDEND. A dividend (No. 42) of 40 cents per share was declared on 11 December 1990, and was paid to members on 6 February 1991.

KLOOF

No. 4 Sub-Vertical Shaft-K. The shaft was sunk 61 metres to a depth of 1 156 metres below the collar on 23 Level and the station on 39 Level was established.

No. 4 Sub-Vertical Ventilation Hole-K. Reaming of the ventilation hole to a diameter of 4,4 metres reached a height of 886 metres and 204 metres remain to be completed.

Production. During the quarter a runaway skip in No. 1 Sub-Vertical Shaft-K caused considerable damage to the shaft steelwork, power, air and water services. The milling rate was maintained, but not without difficulty. Repairs to the shaft are expected to be completed by the end of April 1991.

LEEUDOORN

No. 1 Sub-Vertical Shaft-L. The shaft was sunk 120 metres to a depth of 696 metres below the collar on 23 Level. The station on 33 Level was excavated.

Production. Trial milling was completed and production commenced during the quarter. The milling rate was adversely affected by the abovementioned accident in the No. 1 Sub-Vertical Shaft-K through which all of the underground production was being hoisted. The yield was depressed by the gold lock-up. The latter will diminish with time.

On behalf of the board

A. H. Munro
M. J. Tagg } *Directors*

4 April 1991

Venterspost

Venterspost Gold Mining Company Limited
(Registration No. 05/05632/06)

ISSUED CAPITAL: 20 200 000 ordinary shares of 25 cents each, fully paid.
29 800 000 deferred shares of 25 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold			
Ore milled (t)	330 000	390 000	1 110 000
Gold produced (kg)	1 199,2	1 395,1	3 963,6
Yield (g/t)	3,6	3,6	3,6
Price received (R/kg)	31 375	30 938	31 344
Revenue (R/t milled)	114,17	110,82	112,09
Cost (R/t milled)	132,77	128,23	132,28
Loss (R/t milled)	18,60	17,41	20,19
Revenue (R000)	37 675	43 220	124 425
Cost (R000)	43 814	50 011	146 831
Loss (R000)	6 139	6 791	22 406
FINANCIAL RESULTS (R000)			
Working loss: Gold	6 139	6 791	22 406
Net sundry revenue	3 431	5 548	13 918
Recovery under loss of profits insurance	—	—	155
Loss before tax	2 708	1 243	8 333
Tax	—	—	—
Loss after tax	2 708	1 243	8 333
Capital expenditure			
Existing mine	160	739	1 515
No. 4 Shaft Project	15 365	12 885	38 762

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1991 was R135,6 million.

DIVIDEND. No interim dividend was declared.

RATIONALISATION OF OPERATIONS. Progress has been made towards rationalising operations at the mine. Costs have been reduced in line with the reduction in mill throughput to around 110 000 tons per month. However, the expected improvement in the yield has not yet been achieved. The majority of employees affected in the rationalisation programme have either accepted alternative employment or have taken early retirement.

No. 4 SHAFT COMPLEX. The shaft was sunk 122 metres to a depth of 1 062 metres below collar. The cutting of 11 and 12 Level Stations and the associated development was completed. The 10 Level haulage has intersected the Middelvlei Reef and the first raise is about to commence. The 24 Level haulage advanced 295 metres to a total of 1 432 metres and is now 42 per cent complete. Further work in this haulage has been postponed to conserve funds.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 April 1991

Vlakfontein

Vlakfontein Gold Mining Company Limited
(Registration No. 05/06155/06)

ISSUED CAPITAL: 6 800 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold – Surface sources			
Ore milled:			
from surface dumps (t)	—	6 000	35 500
from outside sources (t)	—	—	—
Total milled (t)	—	6 000	35 500
Gold produced (kg)	—	32,0	105,0
Yield (g/t)	—	5,3	3,0
Price received (R/kg)	—	31 420	31 583
Revenue (R/t milled)	—	168,00	93,63
Cost (R/t milled)	—	364,67	178,02
Loss (R/t milled)	—	196,67	84,39
Revenue (R000)	—	1 008	3 324
Cost (R000)	1 355	2 188	6 320
Loss (R000)	1 355	1 180	2 996
FINANCIAL RESULTS (R000)			
Working loss: Gold	1 355	1 180	2 996
Net sundry revenue	(9)	362	603
Loss before tax	1 364	818	2 393
Tax	—	—	—
Loss after tax	1 364	818	2 393
Capital expenditure	(526)	(31)	(752)

DIVIDEND. No interim dividend was declared.

RESTORATION. Three shafts have been sealed. The balance of the restoration work largely concerns the demolition of the remaining buildings at No. 1 Shaft and the sealing of that shaft. This work is expected to be completed by the end of the June 1991 quarter.

SALE OF ASSETS. A firm offer for the company's freehold has yet to be obtained from the potential purchasers who remain interested. Sales of other assets in the form of stores and equipment continued and the results are reflected as a credit to capital expenditure.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 April 1991

Libanon

Libanon Gold Mining Company Limited
(Registration No. 05/08381/06)

ISSUED CAPITAL: 40 000 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold			
Ore milled (t)	435 000	435 000	1 305 000
Gold produced (kg)	2 030,5	2 062,5	6 140,2
Yield (g/t)	4,7	4,7	4,7
Price received (R/kg)	30 958	31 272	31 358
Revenue (R/t milled)	144,66	148,44	147,73
Cost (R/t milled)	147,35	139,15	142,85
Profit/(loss) (R/t milled)	(2,69)	9,29	4,88
Revenue (R000)	62 928	64 571	192 786
Cost (R000)	64 097	60 530	186 416
Profit/(loss) (R000)	(1 169)	4 041	6 370
FINANCIAL RESULTS (R000)			
Working profit/(loss): Gold	(1 169)	4 041	6 370
Net sundry revenue	1 028	1 200	3 102
Recovery under loss of profits insurance	—	—	630
Profit/(loss) before tax	(141)	5 241	10 102
Tax	526	545	1 772
Profit/(loss) after tax	(667)	4 696	8 330
Capital expenditure	2 160	2 287	6 835

TAX. The new rate of non-mining tax as announced in the budget by the Minister of Finance has been used in the tax computation.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1991 was R61,5 million.

DIVIDEND. No interim dividend was declared.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 April 1991

Doornfontein

Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

ISSUED CAPITAL: 40 000 000 shares of 25 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold			
Ore milled:			
from underground (t)	281 068	343 932	1 015 000
from surface sources (t)	46 000	—	46 000
Total milled (t)	327 068	343 932	1 061 000
Gold produced (kg)	1 667,3	1 792,8	5 472,3
Yield (g/t)	5,1	5,2	5,2
Price received (R/kg)	30 630	31 449	31 301
Revenue (R/t milled)	156,27	164,17	161,62
Cost (R/t milled)	179,74	191,18	184,67
Profit/(loss) (R/t milled)	(23,47)	(27,01)	(23,05)
Revenue (R000)	51 112	56 463	171 484
Cost (R000)	58 788	65 752	195 941
Profit/(loss) (R000)	(7 676)	(9 289)	(24 457)
FINANCIAL RESULTS (R000)			
Working profit/(loss): Gold	(7 676)	(9 289)	(24 457)
Net sundry revenue	335	553	1 589
Recovery under loss of profits insurance	12 589	5 500	18 089
Profit/(loss) before tax	5 248	(3 236)	(4 779)
Tax	—	—	—
Profit/(loss) after tax	5 248	(3 236)	(4 779)
Capital expenditure	512	854	7 279

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1991 was R76,4 million.

DIVIDEND. No interim dividend was declared.

PRODUCTION. The major underground fire reported on 18 December 1990 halted mining operations until 14 January 1991. A provisional payment in respect of a claim for loss of profits arising from this fire is included in the above results.

RATIONALISATION OF OPERATIONS. The fire interrupted implementation of the plan to rationalise operations. However, the level of underground operations has been reduced to around 110 000 tons per month. Underground tonnage has been supplemented by material that has been reclaimed from a waste dump and screened prior to milling and treatment. Progress has been made in the rationalisation of the manpower requirements; the majority of the affected employees have either accepted alternative employment or have taken early retirement.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 April 1991

Deelkraal

Deelkraal Gold Mining Company Limited
(Registration No. 74/00160/06)

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold			
Ore milled (t)	405 000	395 400	1 205 400
Gold produced (kg)	2 308,5	2 248,4	6 865,4
Yield (g/t)	5,7	5,7	5,7
Price received (R/kg)	31 019	31 765	31 489
Revenue (R/t milled)	177,04	180,89	179,58
Cost (R/t milled)	148,97	145,65	146,77
Profit (R/t milled)	28,07	35,24	32,81
Revenue (R000)	71 704	71 524	216 465
Cost (R000)	60 334	57 589	176 914
Profit (R000)	11 370	13 935	39 551
FINANCIAL RESULTS (R000)			
Working profit: Gold	11 370	13 935	39 551
Net sundry revenue	2 861	3 679	9 728
Recovery under loss of profits insurance	900	—	900
Profit before tax	15 131	17 614	50 179
Tax	1 562	1 574	4 732
Profit after tax	13 569	16 040	45 447
Capital expenditure	16 061	19 048	55 649
Dividend	—	9 954	9 954

TAX. The new rate of non-mining tax as announced in the budget by the Minister of Finance has been used in the tax computation.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1991 was R232,9 million.

DIVIDEND. A dividend (No. 16) of 10 cents per share was declared on 11 December 1990, and was paid to members on 6 February 1991.

INSURANCE CLAIM. A provisional payment in respect of a claim for loss of profits arising from a fire in the previous quarter is included in the above results.

No. 3 SHAFT. The shaft was sunk 12 metres to a depth of 1 326 metres below collar. Sinking was then temporarily halted in order to contain expenditure.

No. 3 SUB-VERTICAL SHAFT. Support of the winder chambers continued and work necessary to prepare for the raise boring of the headgear section of the shaft was carried out.

On behalf of the board

A. H. Munro
M. J. Tagg } *Directors*

4 April 1991

GOLD FIELDS
OF SOUTH AFRICA LIMITED

Note:
Copies may be obtained from the United Kingdom Registrar:
Barclays Registrars Limited,
Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU.

INTERNATIONAL CAPITAL MARKETS

Treasuries firm on rise in unemployment claims

By **Patrick Harverson** in New York and **Sara Webb** in London

US TREASURY prices firmed sharply at both ends of the market yesterday morning on news of an exceptionally large rise in the number of people claiming state unemployment insurance.

By late morning, the benchmark 30-year government bond was up ⅝ at 96⅞, to yield 8.177 per cent. At the short end, the two-year note was also firmer, up 1/16 at 100⅛, to carry a yield of 6.936 per cent.

The market has been on tenterbooks for the past week and a half awaiting the March employment figures, which are due out today. Yesterday's data, showing jobless claims up 33,000 in the week ending March 23, was taken by the market as a warning that monthly unemployment will record a big rise. The figures led some analysts to change their forecasts for the March unemployment total; the most pessimistic are now expecting the number out of work to rise by between 220,000 and 250,000, taking the unemployment rate up to near 7 per cent.

GOVERNMENT BONDS

Bond prices have been firmer in recent trading days on hopes that, if the jobs figures are bad, the Federal Reserve will put aside its worries about inflation and announce another cut in interest rates.

If the Fed decides to ease monetary policy in the wake of very bad employment news, it will face the choice of cutting, probably by half a percentage point, either the Fed funds rate, currently targeted at 6 per cent, or cutting the discount rate, also at 6 per cent.

■ JAPANESE government bond (JGB) prices weakened in the Tokyo market as dealers liquidated long positions and the Bank of Japan stood firm on its tight monetary policy. However, JGB prices firmed later in the London market reacting to Treasury bond price increases and a strengthening of the yen against the dollar.

A warning yesterday from Mr Yasushi Mieno, Governor of the Bank of Japan, that two years of tight monetary policy had failed to curb inflation sufficiently, served to warn the market it was not likely to see a cut in the Official Discount Rate for at least a couple of months.

Short-term money market rates increased during the day in Tokyo as the Bank of Japan refrained from injecting funds into the money market and *short-term rates are expected* to firm today in view of the Bank of Japan's tight monetary stance.

The yield on the benchmark number 129 bond opened at 6.615 per cent, moved to 6.69 per cent before closing at 6.675 per cent in Tokyo and moved to 6.645 per cent by mid-afternoon in London.

Traders were concerned about the extra supply of bonds which will be issued in the Tokyo market shortly. About Y180bn of utility bonds are expected in the market next week, coming close on the heels of the monthly JGBbond auction which took placelast Tuesday when Y800bnof 10-year bonds was auctioned.

■ UK government bonds firmed yesterday as the gilt market followed US Treasuries.

The benchmark 11¾ gilt, maturing in 2003/07, rose by ⅝ of a point to 112 1/16 to yield 9.98 per cent. Gilt-edged securities followed the US market, encouraged by the US jobless figures, and traders said there was good buying in the futures market.

Traders said that domestic *buyers have moved out of the* longer end of the market into shorter-dated gilts, such as the 1994 and 1995, in recent days as the long end of the market has become relatively more expensive.

■ THE French Treasury sold FFr6.95bn of government bonds yesterday in an auction, with investors showing strong interest in two new issues.

The Treasury sold FFr4.65bn of the 9.5 per cent 2001 bond, though demand for the new 10-year bond was FFr9.45bn. The average price was 102.9 and the yield was 9.03 per cent, compared with 8.99 per cent in the March auction.

Demand for the 2012 bond was FFr4.6bn, and the Treasury issued FFr2.3bn at the average price of 94.15, with a yield of 9.12 per cent, compared with 9.25 per cent at last *month's auction. Domestic* investors were responsible for most of the buying.

The French Treasury said it will offer FFr11bn of bills at its next weekly tender on April 8. The offering will comprise FFr4bn of six-week bills and FFr7bn of 13-week bills.

■ GERMAN bund prices were pulled up yesterday by the announcement of the increase in US unemployment which fuelled hopes of an impending interest rate cut by the Fed.

The benchmark 9 per cent bund, maturing in 2001 moved up from 103.4 at the midday fixing to 103.85 by late afternoon, and yields moved from *8.45 per cent to 8.38 per cent.*

Treasury market gains brought about fresh buying in bund futures, leading to an increase in prices, traders said. *Despite much speculation in* the market in recent days that the Bundesbank would be forced to raise interest rates to support the D-Mark, the Bundesbank left rates unchanged at its council meeting yesterday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-26	+01/32	10.56	10.58	10.77
		9.000	03/00	94-24	+11/32	9.90	10.01	10.13
		9.000	10/08	94-15	+23/32	9.66	9.79	9.84
US TREASURY *		7.750	02/01	99-05	+09/32	8.01	8.05	8.09
		7.875	02/21	98-12	+15/32	8.20	8.24	8.25
JAPAN	No 119	4.800	6/99	88.3395	-0.182	7.04	7.03	7.00
	No 129	6.400	03/00	98.6791	-0.063	6.64	6.66	6.61
GERMANY		9.000	01/01	104.1300	+0.500	8.35	8.50	8.34
FRANCE	BTAN	9.000	02/96	99.3221	-	9.16	9.19	9.22
	OAT	9.500	01/01	103.1300	+0.150	8.99	9.06	9.04
CANADA *		9.750	06/01	102.3000	+0.650	9.39	9.54	9.67
NETHERLANDS		8.500	03/01	99.3000	+0.210	8.61	8.73	8.62
AUSTRALIA		13.000	07/00	109.2141	-0.082	11.36	11.38	11.51
BELGIUM		10.000	06/00	104.3500	+0.250	9.27	9.14	9.04

London closing, *New York morning session

Yields: Local market standard. Prices: US, UK in 32nds, others in decimal

Technical/Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:10 pm on April 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101½	102		8.00
ALBERTA PROVINCE 9 3/8 95	600	103¾	104⅛	+⅛	8.33
AUSTRIA 8 1/2 00	400	99	99⅛	+⅛	8.66
BANK OF TOKYO 8 3/8 96	100	98¾	99⅛	+⅛	8.66
BELGIUM 9 1/8 92	400	102¼	102⅝	+⅛	7.47
BFCE 7 3/4 97	150	97⅞	98⅛	+⅛	8.27
BNP 8 5/8 94	300	101¼	102¼	+⅛	7.98
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINSBK INT 7 94 LFr	600	92¾	93¾		9.65
KREDIETCORP 7 93 LFr	1000	94½	95½		9.70
WORLD BANK 8 96 LFr	1000	96	97		9.02
ALBERTA PROVINCE 10 92 C$	500	100	100½		9.92
BCE INC 9 5/8 93 C$	300	99¾	99⅞	+⅛	10.10
BELL CANADA 10 5/8 99 C$	150	101¼	101¾	+⅛	10.40
BRITISH COLUMBIA 9 1/4 93 C$	150	99¼	99¾	+⅛	9.68
[illegible]					

Frankfurt launches electronic system

By **Katharine Campbell** in Frankfurt

THE Frankfurt Stock Exchange today takes a further tentative step towards computerisation with the launch of an electronic trading system to run in parallel with the physical trading floor. This will *replace the failed* price information network "Ibis".

Using Ibis II banks and brokers will be able use the screen to trade blue chip shares that make up the DAX 30 (in lots of 500 or more) as well as some 28 of the most actively traded government bonds.

Reform of the antiquated and regional German stock exchanges has been fraught with technical and political problems and Ibis II, whose technical deficiencies are widely acknowledged, far from pleases all parties.

The original Ibis, conceived by seven leading banks as an interbank system, left out the jobbers, causing uproar from that quarter. It was also greeted with grave suspicion by many of the regional exchanges, who correctly *interpreted it as a ploy to* accumulate power in Frankfurt and unify the country's bourses. Turnover since its launch in December 1989 has been minimal, not least because participants found many banks unwilling to deal at the prices shown on the screen. At the same time, two additional competing systems emerged; Matis, in association with the Kursmakler (official brokers) and Midas, supported by the so-called Freimakler (free, or unofficial brokers).

Ibis II, in which the "I" stands for "integrated" in place of "interbank", remains the child of the banks, but it is now woven into the newly-privatised *Frankfurt Stock* Exchange. It has been modified to give token recognition to the official brokers, who play a central, and lucrative, role on the traditional floor.

While prices on Ibis II can be dealt "net" – between banks direct without the intervention of the Makler and without that commission, the Frankfurt-based Kursmakler are allowed to charge their commission of 0.06 per cent on trades they make. *Ibis II* begins today with 280 terminals, "a significant number" of which are outside Frankfurt, an exchange official said.

One clear advantage is in the extension of trading hours – *Ibis II is to function* between 8.30 and 17.00. Germany's eight regional exchanges still only open for three hours a day. Also, prices *are firm and execution is at* the push of a button instead of over the telephone.

Technically, however, the system, which has proved very expensive, is far from complete – response times in Frankfurt are around a tenth of a second, but as much as a full second in other parts of the country. In belated recognition of weaknesses on the electronic side at the exchange a fourth board member has been recruited with computer skills from outside the financial sector.

US domestic corporate new issues leap 20.9%

By **Sara Webb**

CORPORATE new issues in the US soared in the first quarter, despite the Gulf war and the recession, according to IDD Information Services.

US domestic *corporate new* issue volume jumped 20.9 per cent to $97.3bn in the quarter, due to a surge in debt financings.

Equity issues, however, suffered during the three months because of the general air of uncertainty arising from the war in the Middle East and the recession in the US. Altogether, equity issues were unchanged at $8.4bn, but initial public offerings fell by 37.2 per cent in volume to $2.7bn and common share issues declined 5.6 per cent to $6.7bn. With the end of the Gulf war and the upswing in the market, analysts expect equity new issues to recover.

Falling interest rates have *encouraged* the use of debt financings this year, particularly of investment grade corporate bonds which now account for 41.1 per cent of the total new issues market.

Total underwriting fees increased by 4 per cent to $623m in the quarter, against $599m in 1990. Merrill Lynch again topped the league table of managers of underwritten offerings with $21.4bn in domestic new issue financings. Goldman Sachs ranked second with $12.14bn and First Boston moved up from seventh to third place.

INTERNATIONAL CAPITAL MARKETS

Investors discover fresh appetite for sterling bonds

By Tracy Corrigan

RETURNING appetite for sterling bonds among continental European investors prompted two retail-targeted offerings in the sterling sector of the Eurobond market yesterday.

Dealers said there had been a shift of interest towards sterling bonds as a result of a change in investors' perception of currency risk: the D-Mark is no longer perceived as posing a threat to sterling, but rather is increasingly seen to be in a relatively weak position itself. Consequently, the sterling bond market appears an attractive high-yielding alternative to the D-Mark sector for European retail investors, most notably in Switzerland.

INTERNATIONAL BONDS

Fiat Finance & Trade launched a £125m offering of three-year zero-coupon bonds, the first zero-coupon deal to be launched at the short end of the sterling bond market.

The zero-coupon structure allows investors to obtain a maximum benefit from an expected fall in interest rates over the life of the bonds, since there is no coupon to reinvest.

General Electric Capital Corporation launched a £75m, six-year deal, priced to yield 50 basis points over the 10¼ per cent gilt due 1997. Because of the retail-driven nature of the deal, a conventional price structure was used, rather than a fixed-price re-offer technique.

Swiss, German and Benelux investors were the main participants in both deals. Although spreads of corporate bonds have tightened substantially over the last month or so, the yield spreads for both issues were quite tight, dealers said. However, retail investors tend to focus on coupon levels rather than spread.

In the D-Mark sector, four Japanese companies launched equity-linked offerings totalling DM600m. Among the issues, a DM200m deal for Minolta Camera was bid at 102¼, a 2¼ point premium to its par issue price.

In the Swiss market, Phillip Morris launched a SFr250m seven-year deal via Credit Suisse, and Eurofima launched a SFr200m 12-year issue lead managed by Union Bank of Switzerland. The Eurofima deal traded around its 100% issue price.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Mitsubishi Trst Asia Ltd(c)‡	150	(g)	101⅞%	2001	2/1¼	Salomon Brothers Int.
Korea Int'Merchant Bk(h)‡	50	(h)	100.5%	1994	0.375/20bp	Commerz Bank AG.
STERLING						
Fiat Fin & Trade(a)†	125	0	73.7%	1994	1/0.60	Barclays de Zoete Wedd
Gen Elec Cap Corp.(a)†	75	10¾%	101.20%	1997	1⅞/1¼	Hambros Bank
SWISS FRANCS						
Phillip Morris Co.(a)†	250	6⅞%	102¼%	1998	-	Credit Suisse
Eurofima(b)†	200	6⅞%	100¼%	2003	-	UBS
ECUs						
C'Suisse Fin(Guernsey)(a)†	200	9%	101⅜%	1994	1⅛/1.27½	Cred' Suisse Fst Boston.
D-MARKS						
Minolta Camera(c)†	200	5⅞%	100.0%	1995	2¼/⅞	Westdeusch Lndbk.
Kubota Corp.(d)†	200	4%	100.0%	1995	2¼/75bp	Yamaichi Deutschland
Nisshin Steel(e)†	100	4%	100.0%	1995	2¼/75bp	Nikko Bk(Deutsch)
Toaho Printing Co.(f)†	100	4%	100.0%	1995	2¼/75bp	Nikko Bk(Deutsch)
YEN						
Nissan Cap'of America(f)†	70bn	(i)	101.55%	1998	1⅜/1¼	Yamaichi Int.Europe
FRENCH FRANCS						
Societe Generale(f)†	600	9¼%	100.0%	1998	35/20bp	Societe Generale

*Private placement. ‡Convertible. #With equity warrants. †Floating rate note. †Final terms. a) Non-callable. b) Callable after 10 years at par. c) Final terms to be set 10/4/91. d) Final terms to be set 11/4/91. e) Final terms to be set 11/4/91. f) Final terms to be set 8/4/91. g) Pays six month Libor + 45bp for 3 years after which the deal is callable at par. If not called notes will pay a fixed 9½% coupon. h) Paying interest at 40bp over the 6 month Libor and the notes carry a put option at par in case foreign investment in the bank falls below 30%. i) Paying 6.5% coupon until 15/7/1992 after which the rate will be 6.6%. j) Investors can take coupon payment in the form of new bonds.

The quest for a capital adequacy directive

Richard Waters on attempts to iron out competitive distortions between securities firms

ATTEMPTS to devise a common international approach to capital adequacy for securities firms are in a mess.

The moves were intended to echo the capital adequacy rules for banks developed by the Bank for International Settlement, the international grouping of central bankers in Basle. They are needed to iron out competitive distortions between securities firms operating in different centres and to guard against the sort of chain reaction that could occur if a large firm defaulted, bringing others down with it.

Yet after being kicked around between different international forums like an unwanted football, the idea seems to have been booted out of play.

It now looks as though the only initiative to move forward will be one devised by the European Commission – and even that is subject to the outcome of political wrangling over the parallel Investment Services Directive.

At the root of the problem has been the need to find a way of assessing capital adequacy suited both to banks which carry out securities business and to non-bank securities companies.

The system also needs to find favour with banking and securities regulators, which have a different way of regarding their charges (banking supervisors focus on credit risks, while securities supervisors are concerned mainly with the market risks inherent in portfolios of securities). This agreement now looks as far away as ever.

The intention had been to reach agreement in three forums:

- The European Commission. Its Capital Adequacy Directive is planned as a complement to the Investment Services Directive, due to come into force at the start of 1993. There is general agreement on the CAD, following a controversial period a year ago when the directive swung between the opposite poles of a bank-led and securities-led approach to capital adequacy – prompting a high-level row between member states.

The EC's solution was to pick a securities-led approach, and to allow banks to separate out their securities trading books and apply a similar method to that used by securities companies. The EC, though, does not want to move alone: its directive applies only to non-bank securities firms in Europe. It has been waiting for agreement in two other forums before proceeding.

- A sub-committee of the Bank for International Settlements. This has been studying the position risks of banks involved in the securities business. Its preference: to adopt what is known as the "building block" approach to assessing the risk inherent in a securities holding. This involves breaking the risk down into two components: the credit risk and the market-related risk. Securities regulators in the main financial centres do not use this method and so would need to change their approach.

Richard Breeden: questioned the building block method

- The International Organisation for Securities Commissions (Iosco), a forum for securities regulators and trade associations. Iosco indicated its agreement in principle to the Basle plan as long ago as last autumn. Meeting again in Hong Kong last month, though, things did not go as smoothly. Far from rubber stamping the BIS plan, as expected, the Iosco technical committee stalled the scheme by asking for more time to consider the implications. Suddenly, the entire tri-partite operation came to a juddering halt.

What went wrong? In Hong Kong it was Mr Richard Breeden, the Securities and Exchange Commission chairman and head of the US delegation, who questioned whether the building block method was really needed.

It is not clear why, but according to one observer close to the discussions, the SEC is not keen to promote a change which may be interpreted within the US as relaxing the regulations on securities firms.

Whatever the motive, Mr Breeden's scepticism won the support of Japan's securities regulators, who introduced their own capital adequacy rules only a year ago and are not happy with the prospect of overhauling them so soon.

Iosco will not reconsider the plan until September, derailing the whole scheduled process and prompting serious concern about Iosco's will to proceed at all.

This has thrown regulators into turmoil. How can the BIS and EC proceed with an issue central to the regulation of securities markets if the main international grouping of securities regulators has failed to come to any conclusion?

The BIS is likely to stall its own plans. The EC, though, cannot. If its Investment Services Directive comes into force in 1993, as planned, then investment firms located in the Community will have a "single passport" to operate in all member states. That can only work if there are also common prudential rules in force at the time.

Brussels is expected to adopt the building block approach in its directive. Provided it can reach agreement between member-states, which will be no easy task, and provided EC firms are not disadvantaged in relation to US or Japanese firms, then the commission is likely to proceed.

That leaves two uncomfortable questions, neither of which would have arisen if Iosco and the BIS had been able to reach agreement.

The first is, will Brussels sacrifice principles already established in its capital adequacy directive as part of the horse-trading needed to find agreement on the investment services directive? Had there been a common international approach on capital, then there would have been little room left for manoeuvre in Brussels. Now, the outcome is subject to what is likely to be some hard, last-minute bargaining between politicians.

The second question is whether the lack of a common approach will tilt the competitive balance in the securities business. Already, securities firms say, decisions on where to book particular trades are determined in part by the capital regimes applied in different centres.

The regulators appear not yet to have calculated the effect of their failure to agree a common stance. But when securities companies themselves count the cost, they are likely to make quite a noise about it.

CBOT, CME appoint Globex directors

THE Chicago Board of Trade and the Chicago Mercantile Exchange announced yesterday a joint board of directors and a managing director for Globex, the automated after-hours trading system developed with Reuters, the UK communications group, writes Barbara Durr.

The announcement came a week after the membership of both exchanges overwhelmingly voted in favour of a joint venture for Globex.

Mr Leo Melamed, chairman of the new Globex board, said Mr Gary Ginter would be managing director. Mr Ginter, a founding partner of the prominent options trading company Chicago Research & Trading Group, is considered one of the brightest stars in the derivatives business. The rest of the board is drawn from the leadership of the two exchanges, including the chairmen and presidents, and Mr David Vogel, chairman of the Futures Industry Association, which represents futures commission merchants.

ACT urges tighter internal controls

By Tracy Corrigan

THE Association of Corporate Treasurers (ACT) is warning its members to check that adequate controls of their treasury operations are observed, following the £150m ($265.5m) loss incurred by Allied-Lyons, the UK foods company, in the foreign exchange market last month.

The association's decision to reiterate its guidelines was prompted by concern among its members that the Allied-Lyons losses might be repeated, according to Mr Gerald Leahy, the ACT's director-general.

Tighter internal controls, regular audits and full disclosure of risk management strategies would guard against such losses, the association advises in its monthly magazine, The Treasurer, due to be published next week.

The association recommends random audits conducted by both internal and external auditors. Further, the ACT calls for better training in treasury management for auditors, many of whom "lack the skills to evaluate increasingly complex treasury transactions." The ACT also suggests full disclosure of treasury strategies to shareholders could be provided in companies' annual report and accounts.

The association plans to put together new guidelines for measuring treasury performance, which should overcome difficulties in assessing the success of hedging strategies, making it easier to report treasury performance.

The failure of some company boards to understand the financial risks which face their companies and the systems for managing risk should also be addressed. The original ACT guidelines were first introduced last year.

Liffe posts record volume

By Deborah Hargreaves

THE LONDON International Financial Futures Exchange (Liffe) saw a dip in its derivatives business in March but posted a record volume level for the first quarter of the year. Volume broke through 10m contracts for the first three months of the year, beating a record set in the same period last year.

Liffe's volume was higher than that of its main rival, Matif, the French futures exchange, in the first quarter when that exchange's business rose by 40 per cent over the same period last year to 9.5m lots.

Liffe's volume in March slipped to 3.2m contracts from 3.7m lots in February. But the exchange remains the busiest derivatives market in Europe since the Matif's volume was 2.8m lots in the same period.

However, London's grip on the German government bond futures market could weaken with the growth of Frankfurt's rival product on the Deutsche Terminbörse where volume increased from 64,094 lots in January to 113,803 contracts last month. Liffe's Bund futures business dropped from over 1m contracts in February to 908,558 lots in March.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Thursday April 4 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Apr 3 Index No.	Tue Apr 2 Index No.	Thu Mar 28 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (187)	887.71	+0.2	11.19	5.44	10.95	9.61	885.89	875.01	869.21	850.00
2 Building Materials (24)	1150.93	-0.1	11.57	5.36	10.65	5.50	1152.22	1136.62	1132.32	1035.49
3 Contracting, Construction (31)	1423.32	+0.9	10.41	5.55	12.41	15.34	1411.13	1400.43	1399.24	1386.45
4 Electricals (10)	2462.53	-1.3	10.91	5.43	11.29	13.27	2495.28	2460.60	2453.35	2464.67
5 Electronics (26)	1867.87	+0.5	8.42	4.78	15.79	3.12	1859.04	1827.52	1809.66	1782.49
6 Engineering-Aerospace (8)	461.78	+0.3	15.10	5.39	7.99	8.86	460.19	455.34	444.21	434.84
7 Engineering-General (47)	465.75	+0.4	12.67	5.63	9.51	6.28	463.85	461.14	459.53	467.01
8 Metals and Metal Forming (8)	501.94	-1.4	18.17	6.88	6.79	0.59	509.18	505.47	490.37	483.51
9 Motors (13)	354.59	-0.5	12.49	6.73	9.40	6.55	356.45	353.76	350.99	348.43
10 Other Industrial Materials (20)	1589.92	+0.8	9.03	5.09	13.07	28.92	1577.48	1552.65	1551.51	1561.25
21 CONSUMER GROUP (185)	1469.93	+0.5	8.35	3.63	14.84	9.69	1463.20	1445.81	1427.25	1219.00
22 Brewers and Distillers (22)	1793.87	......	8.97	3.61	13.74	14.76	1793.77	1787.74	1759.18	1418.63
25 Food Manufacturing (20)	1201.00	+0.4	9.45	4.06	13.08	15.95	1196.70	1188.85	1184.02	1059.57
26 Food Retailing (16)	2771.24	+2.6	7.90	2.81	16.55	4.34	2700.48	2652.69	2611.73	2232.91
27 Health and Household (21)	3269.59	-0.3	6.21	2.58	19.13	17.97	3277.89	3241.47	3185.90	2554.42
29 Hotels and Leisure (21)	1383.48	-0.3	9.87	4.99	11.93	9.39	1387.93	1374.04	1352.13	1374.22
30 Media (24)	1498.63	+0.1	9.44	4.51	13.33	14.07	1496.40	1474.81	1466.38	0.00
31 Packaging, Paper & Printing (16)	680.02	+0.4	8.26	4.85	15.13	5.03	677.27	653.68	654.14	574.05
34 Stores (34)	916.59	+1.4	9.07	3.98	14.30	2.21	904.18	887.51	877.23	747.47
35 Textiles (11)	562.33	-0.2	9.44	5.72	13.37	2.61	563.46	553.32	542.42	491.75
40 OTHER GROUPS (168)	1219.33	......	9.88	4.95	12.38	8.15	1219.25	1198.41	1182.97	1133.58
41 Business Services (13)	1219.16	-0.5	10.88	4.80	11.26	2.85	1225.78	1200.45	1181.43	0.00
42 Chemicals (21)	1275.90	-0.2	9.20	5.61	12.47	23.53	1278.90	1262.43	1250.09	1197.94
43 Conglomerates (10)	1578.53	-1.0	10.66	6.53	11.20	10.66	1594.48	1578.79	1546.20	1608.74
44 Transport (14)	2218.87	-1.0	11.15	4.65	10.94	6.97	2242.31	2208.57	2185.97	2206.12
45 Electricity (14)	1152.31	+0.3	12.03	5.79	10.41	0.00	1149.27	1131.51	1128.05	0.00
46 Telephone Networks (4)	1436.32	+0.8	9.25	3.48	14.06	0.00	1425.34	1390.64	1365.47	1108.60
47 Water (10)	2467.39	+0.4	13.74	5.68	8.13	39.69	2457.37	2420.85	2399.76	1913.08
48 Miscellaneous (22)	1933.06	+0.3	6.26	4.83	20.33	21.39	1927.01	1894.13	1879.91	1806.77
49 INDUSTRIAL GROUP (480)	1252.15	+0.3	9.43	4.42	13.05	9.39	1248.87	1231.85	1217.62	1113.49
51 Oil & Gas (20)	2369.72	+0.5	10.91	5.62	11.97	38.85	2358.38	2351.33	2355.55	2261.49
59 500 SHARE INDEX (500)	1347.81	+0.3	9.62	4.58	12.91	11.66	1343.91	1327.41	1314.34	1209.28
61 FINANCIAL GROUP (97)	840.90	+0.2	–	5.61	–	15.07	839.43	829.20	819.58	808.63
62 Banks (9)	934.68	+0.4	7.84	5.88	18.37	21.93	931.30	918.61	895.90	879.44
65 Insurance (Life) (7)	1540.15	......	–	5.36	–	38.87	1540.62	1522.74	1543.04	1310.32
66 Insurance (Composite) (6)	708.90	-0.3	–	6.19	–	11.60	710.91	699.80	691.12	664.98
67 Insurance (Brokers) (8)	1187.56	+1.2	6.17	5.66	21.13	20.10	1173.80	1178.66	1177.94	1029.79
68 Merchant Banks (7)	434.19	-0.6	–	4.67	–	3.90	436.77	431.66	429.87	458.87
69 Property (40)	1031.91	+0.4	6.52	4.53	20.72	3.69	1028.02	1016.04	1009.87	1135.47
70 Other Financial (20)	293.88	-0.2	9.50	6.15	12.98	3.59	294.49	292.60	292.58	318.34
71 Investment Trusts (69)	1213.77	......	–	3.39	–	10.52	1214.00	1196.82	1192.59	1137.60
99 ALL-SHARE INDEX (666)	1223.55	+0.3	–	4.69	–	12.18	1220.31	1205.28	1193.33	1110.93

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 3	Apr 2	Mar 28	Mar 27	Mar 26	Year ago
FT-SE 100 SHARE INDEX‡	2524.5	+5.4	2544.7	2515.1	2519.1	2488.3	2456.5	2464.6	2437.6	2239.5

FIXED INTEREST

PRICE INDICES	Thu Apr 4	Day's change %	Wed Apr 3	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	121.00	+0.04	120.95	1.78	3.07
2 5-15 years (30)	132.69	+0.40	132.15	2.13	3.58
3 Over 15 years (8)	140.33	+0.78	139.24	1.29	4.05
4 Irredeemables (6)	156.64	+0.56	155.76	3.53	1.50
5 All stocks (72)	131.26	+0.32	130.84	1.98	3.47
Index-Linked					
6 Up to 5 years (1)	159.41	+0.11	159.23	1.29	1.03
7 Over 5 years (10)	146.84	+0.22	146.52	0.70	1.16
8 All stocks (11)	147.76	+0.22	147.44	0.72	1.15
9 Debs & Loans (56)	109.55	+0.05	109.50	2.05	2.65

AVERAGE GROSS REDEMPTION YIELDS		Thu Apr 4	Wed Apr 3	Year ago (approx.)
British Government				
1 Low	5 years	9.30	9.32	11.60
2 Coupons	15 years	9.51	9.59	11.07
3 (0%-7¾%)	20 years	9.59	9.67	11.00
4 Medium	5 years	10.14	10.16	12.63
5 Coupons	15 years	9.90	9.98	11.54
6 (8%-10¾%)	20 years	9.84	9.94	11.29
7 High	5 years	10.27	10.30	12.76
8 Coupons	15 years	10.06	10.16	11.85
9 (11%-)	20 years	10.00	10.11	11.58
10 Irredeemables	†	9.88	9.93	11.02
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.70	3.73	4.54
12 Inflation rate 5%	Over 5 yrs.	4.10	4.11	4.09
13 Inflation rate 10%	Up to 5 yrs.	2.88	2.90	3.57
14 Inflation rate 10%	Over 5 yrs.	3.92	3.93	3.92
15 Debs &	5 years	11.85	11.85	15.65
16 Loans	15 years	11.64	11.64	14.20
17	25 years	11.44	11.45	13.53

‡Opening index 2515.1; 9 am 2525.6; 10 am 2532.3; 11 am 2544.2; Noon 2535.4; 1 pm 2535.4; 2 pm 2533.7; 2.30 pm 2529.5; 3 pm 2526.6; 3.30 pm 2522.4; (a) 10.51am (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-
800	Nil	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
105	Nil	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
155	Nil	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A$5.25	Nil	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
238	Nil	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
510	Nil	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Nil	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
200	Nil	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
360	Nil	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

a Annualised dividend. b Figures based on prospectus estimate. [illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
†	F.P.	–	61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
†	F.P.	–	31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40	F.P.	–	49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	–	106	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	F.P.	–	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	–	101	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§100	F.P.	–	95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
75	F.P.	–	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
–	F.P.	–	18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
–	F.P.	–	4025	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	–	104	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
–	F.P.	–	165	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
–	F.P.	–	9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
175	100	–	140½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
175	100	–	140½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
50	F.P.	–	45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
–	F.P.	–	9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+or-
–	–	–	86	68	Brent Walker Capital 13pc Cv Cap Bd	80	
50p	–	–	56p	55p	Contra-Cyclical Zero Div. Prf 50p	55	
100p	–	–	106p	105p	Drayton Blue Chip Tst. Zero Prf £1	105½p	-½
100p	F.P.	–	115p	93p	Evered Bardon 7.25p (Net) Cnv Rd Pf	111p	
&	36½	29/11	38p	30p	‡Greenacre Group Cv. Rd. Prf. 70p	30p	
35	–	–	47½	29½	Greenwood Securities 9pc Cv Ln 2000	47½	+1
100p	F.P.	–	103p	80p	Lilleshall 9pc Cv. Rd. Prf. £1	102p	
100p	F.P.	–	120p	96p	TT Group 10⅞pc Cnv. Red. Prf. 1997	120p	+4
100p	F.P.	–	144p	97p	Worcester Cnv Rd Cv Pf	144p	+1

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	0	24
Corporations, Dominion and Foreign Bonds	5	0	15
Industrials	375	285	885
Financial and Properties	151	119	476
Oils	21	25	46
Plantations	0	0	10
Mines	42	16	104
Others	69	47	46
Totals	723	492	1,606

TRADITIONAL OPTIONS

- First Dealings March 18
- Last Dealings April 5
- Last Declarations June 27
- For settlement July 8

For rate indications see end of London Share Service

Calls in ADT, Budgens, Business Technology, Cargo Control, Conroy Pet., Control Secs., Dares Ests., Erskine House, Eurotunnel units, Explaura, Premier Cons., Rockware, Saatchi & Saatchi, Tusker Res., Wembley and SW Wood. Puts and calls in Buckingham Intl., London Finance & Inv. and McCarthy & Stone.

LONDON TRADED OPTIONS

[illegible]

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
[illegible] (*294)	300	6	18	28	15	24	28
	330	1½	–	–	42	–	–
Land Secs (*547)	500	51	59	65	2½	7	11
	550	12	22	35	13	28	31
	600	1½	7	16	55	62	65
M & S (*250)	240	15	22	29	3	9	11
	260	3½	12	20	13	20	23
Sainsbury (*372)	330	46	51	61	1½	4	6
	360	17	29	40	4½	13	17
Shell Trans. (*484)	460	33	53	63	5	10	17
	500	6½	27	37	20	27	33
Storehouse (*120)	120	5½	11	15	5	9	13
	130	2	6½	–	13	16	–
Trafalgar (*263)	260	13	21	32	8	23	28
	280	3½	14	23	20	26	40

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
[illegible] (*380)	390	14	23	32	19	26	30
Tesco (*282)	260	–	–	38	–	–	8
	280	10	19	28	12	14	16
Thames Water (*302)	300	17	22	26	9	18	21
	330	3½	9	14	29	38	39
Option		Apr	Jul		Apr	Jul	
STC (*320)	300	–	–	–	¼	¼	–
	330	¼	–	–	–	–	–
Option		Jun	Sep	Dec	Jun	Sep	Dec
Abbey Nat. (*277)	260	28	33	40	6	9	10
	280	14½	21	29	13	18	19
Amstrad (*81)	80	8	12½	16	5	8	10
	90	4½	8	12	11	13	15
Barclays (*463)	420	58	68	77	7½	16	18
	460	30	41	52	20	30	35

FT-SE INDEX (*2522)

	2350	2400	2450	2500	2550	2600	2650	2700
CALLS								
Apr	198	151	108	70	40	20	10	–
May	215	172	132	96	68	45	30	–
Jun	235	195	156	123	94	70	52	33
Jul	254	213	178	143	113	87	67	–
Dec †	–	290	–	226	–	170	–	120
PUTS								
Apr	5	9	15	30	54	88	133	–
May	14	22	33	50	72	105	143	–
Jun	20	29	40	58	81	111	144	185
Jul	28	38	52	70	92	118	150	–
Dec †	–	72	–	108	–	150	–	205

April 4 Total Contracts 34,595
Calls 21,386 Puts 13,149
FT-SE Index Calls 5,762 Puts 2,356
Euro FT-SE Calls 77 Puts 967
*Underlying security price. † Long dated expiry mths

UK COMPANY NEWS

Shares rise 23p though it's 'unlikely' dividends will be paid until 1993

WPP completes $1bn refinancing package

By Alice Rawsthorn

WPP GROUP, the world's largest marketing services company, yesterday saw its shares leap by 23p to 189p on the completion of its $1bn (£565m) financial restructuring package.

The group, which needed to restructure its finances to avoid breaching its banking arrangements, has agreed to pay a "success fee" of up to £10m to its banks. It may also face further fees of up to £10m and higher lending margins on its debt.

WPP also announced it would be unable to pay the dividend on its convertible preference shares due at the end of this month.

It cannot pay ordinary dividends until it has cleared the preference arrears and said yesterday that it was "unlikely" to pay any dividends until June 1993.

The completion of WPP's restructuring comes a week after Saatchi & Saatchi, its chief competitor in the marketing services industry, secured shareholders' approval for its financial rescue package.

WPP, which owns the Ogilvy & Mather and J Walter Thompson advertising agencies, has been struggling to service the debt amassed by the acquisition of O&M in 1989. The group grew at a dramatic pace after Mr Martin Sorrell, Saatchi's former finance director and now WPP's chief executive, invested in Wire & Plastic Products, then a shell company, in 1985.

Late last year, WPP, advised by Samuel Montagu, began negotiations with its 30 banks, led by a steering committee chaired by JP Morgan, over the restructuring.

Under the terms of the restructuring it will consolidate $270m of working capital facilities, a $604m medium-term loan and $100m of uncommitted facilities into a committed medium-term facility. The $604m loan must be repaid over four years from June 1993. The rest of the facility is to be repaid or refinanced by June 1993.

The facility allows WPP to make its deferred payments on acquisitions in cash, rather than shares, thereby avoiding dilution of its earnings. If WPP exercises this option it may have to pay a fee of up to £4m.

WPP said yesterday that its results for January and February were "below budget" mainly because of the uncertainty caused by the Gulf war. It said the improvement in confidence since the ceasefire has so far shown no sign of increasing clients' expenditure particularly in advertising and public relations.

● O&M's agency in New York has won a $20m new account for Nynex, the New York telecommunications company.

See Lex

Misquote claim by Amex over Thos Cook

By David Barchard

AMERICAN Express yesterday refused to confirm reports that it has put a feeler out to Midland Bank to see if it is willing to sell Thomas Cook, its travel agent subsidiary, but said that it was monitoring possible opportunities in the global travel services industry.

Reports that American Express is interested in buying Cook from Midland have been circulating for some weeks.

However, American Express' US headquarters said yesterday that Mr Charles Petrucelli, president of American Express France, had been misquoted in agency reports which claimed that a direct approach had been made to Midland Bank for Cook.

Midland has not formally placed Cook on the market but it has indicated that it would not necessarily refuse a good offer for the agency.

Thomas Cook is regarded, along with Samuel Montagu, as the strongest of Midland's remaining subsidiaries. A sale could raise between £180m and £200m, according to banking analysts, to boost Midland's flagging capital ratios.

In 1990 Cook made pre-tax profits of £28m. The company has a turnover of over £370m and operates through 334 shops in the UK and a total of 1,500 outlets throughout Europe. It specialises in leisure and business travel, travellers' cheques and foreign exchange.

Last night both Midland and American Express refused to say whether or not they were discussing a possible deal.

"We have not put Thomas Cook on the market, though we do constantly get expressions of interest in it. We give them due attention", Midland said.

Tilbury declines 27% to £20m as property profits tumble

By Jane Fuller

TILBURY GROUP, the construction and property concern 44 per cent owned by German organisations, saw pre-tax profit fall by just over 27 per cent to £20m in 1990.

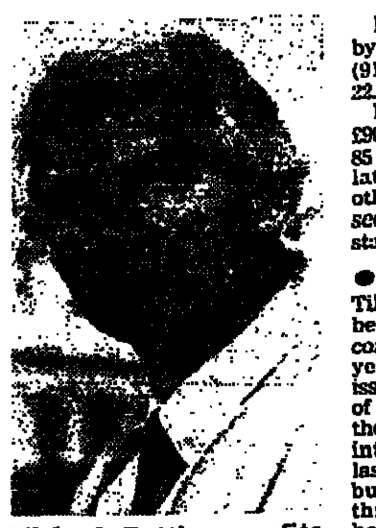
The decline from last year's £27.5m was inflicted by a £9.7m drop to £7.4m in property profit. Construction, on the other hand, improved its operating figure to £10.1m (£8.6m) with the help of Clough Smith, an electrical engineering business bought for £8.9m last April.

In spite of that acquisition, turnover fell 15 per cent to £196.4m (£231.2m) with both construction and property showing a decline.

Property slid from £67.5m to £44.9m. Mr Michael Bottjer, managing director, said the number of houses sold fell from 675 to 500. Profits from Scotland, where more than 80 per cent of the homes were, had improved as the average price grew to £56,000 (£46,000): but the English side was depressed.

In development, there had been nothing to match the £5m profit made in 1989 on selling a small part of the Phoenix site at Linwood, near Glasgow Airport. The 335-acre former Peugeot Talbot complex would be developed over the next six years.

Spain was the other big area of investment, with £4.7m spent last year. One of the partners in an industrial project near Madrid was Phillip Holzmann, the German construction group which owns 29 per cent of Tilbury.



Michael Bottjer: profits from Scotland improved

Construction, which included Clough, benefited from work for the water and electricity industries. Among the weaker areas were piling and interior contracting.

Mr Stuart Lee, finance director, said net cash fell to £2.5m (£11m) and gearing could rise to 35 per cent this year because of investment at Linwood and in Spain. Shareholders' funds stood at £47.9m in December.

Earnings per share declined by nearly 24 per cent to 70p (91.9p). A final dividend of 22.5p makes a total of 33p (32p).

Mr Bottjer, who earned £902,000 in 1989 – more than 85 per cent of it as a profit-related bonus – said he and other executive directors had seen their pay reduced substantially last year.

● COMMENT

Tilbury had the distinction of being the one construction company to announce figures yesterday without a rights issue, a pointer to the strength of its balance sheet. This year the group faces a turnround on interest, which earned £2.6m last year; but the contracting businesses may offset this through the focus on water, heavy electrical and oil and gas pipe work. On the housing side though, it looks another hard year, especially as Scotland only levelled off in the second half. At Linwood and in Spain, it will be a year of spending rather than reaping. A £20m pre-tax profit gives a prospective p/e of 10.6 on yesterday's close of 723p. The price has only recently risen sufficiently to give the group a higher market value than the £137m bid by Lilley in 1989. Lilley lost money on selling its stake for 550p per share last November. After a strong performance, Tilbury's price may not forge ahead, but it remains a quality stock.

Margins under pressure as Brammer falls 9%

By David Owen

REFLECTING A difficult second half, Brammer, the Cheshire-based industrial services group, yesterday reported a 9 per cent decline to £11.45m in annual profits.

The company managed to maintain its margins in the predominant distribution unit but not in electronic equipment rental where there were downturns in the UK and Italy.

"We had successively reducing quarters in 1990," said Mr Hugh Lang, chairman, stating that turnover had actually declined slightly in the second half.

Over the full year to December 31, sales edged ahead from £121.13m to £122.45m. Year-earlier profits had weighed in at £13.03m.

The company, which is widely regarded as a weather-vane of industrial activity, said that first quarter trading had been difficult and that "these conditions have continued into the next three month period."

"Our results for 1991 are entirely dependent on when the upturn comes." Mr Lang said.

The company, which is ungeared and was helped by net interest receivable of £494,000, took an £885,000 exceptional charge in respect of about 100 redundancies, mainly in the UK.

According to Mr Robert Ffoulkes-Jones, chief executive, this represented "the pruning of overhead to relate the cost structure to reduced growth expectations." A year earlier, an exceptional charge of £994,000 was recorded.

At the extraordinary level a charge of £291,000 (£1.02m) was taken. This consisted of proceeds from a disposal more than offset by the costs of closing a subsidiary.

By division, distribution generated profits of £10.38m (£10.61m) on turnover of £99.75m (£97.9m), while equipment rental weighed in with £2.13m (£3.33m) on turnover of £22.32m (£22.55m).

There was a £176,000 loss in the latest period from discontinued businesses.

Mr Ffoulkes-Jones attributed Brammer's Italian rental difficulties to "the problems of getting into a new country".

The group has responded by effecting management changes and making additional depreciation provisions for certain inventory.

An unchanged final dividend of 8.5p is recommended, maintaining the total at 13p. Earnings per share slipped from 19.7p to 17.5p.

Brammer shares, which have rallied strongly since February, gained another 5p yesterday to close at 225p.

● COMMENT

Mr Lang says that Bunzl's hostile 1985 bid for the company is still engrained "like Calais" on everyone's heart and, in some respects, it appears that Brammer has still not got over its hangover from that episode. Pre-tax profits are now at their lowest level since 1984; and the yield on the shares still looks attractive even though the annual dividend payment has been lifted by only 0.5p in five years. That said, the company – with its rock-solid balance-sheet – seems well set finally to progress in 1992. On that basis, a case could be made for buying the shares, even after their recent rally. For those with a shorter time-frame in mind, anticipated 1991 profits of £11m make the p/e of more than 14 look distinctly pricey.

Diversity helps TT Grp advance 25% to £10.5m

By Steven Watkins

TT GROUP, the packaging and industrial products holding company, increased pre-tax profits by almost 25 per cent from £8.42m to £10.49m in 1990. Its shares closed 11p higher at 131p.

Turnover rose by 65 per cent to £100.31m. On earnings per share of 14p (12.3p), a final dividend of 3p (2.5p) raises the total from 4p to 5p.

Mr Nicholas Shipp, a director, said the performance was strong despite the deteriorating economic climate. This was due to TT's diverse range of activities, usually in niche market positions, and its early action to bring capacity into line with forward orders.

TT has a policy of taking strategic investments in public companies it feels are underperforming. Significant investments made during 1990 included the acquisition of Crystalate Holdings, the electronic components company, in September and a 3 per cent shareholding taken last summer in CH Industrials, the diversified holding company.

CHI, however, was put into administration in February. The £1.23m cost of TT's stake has been written off as an extraordinary charge.

Mr Shipp said gearing ended the year at 40 per cent. Borrowings increased to £20m as a result of financing the Crystalate acquisition. The increase in debt, in the form of medium-term loans, was limited by a preference share issue in November and will be further reduced by repayments from profits or possible disposals, Mr Shipp said.

T&S Stores leaps 82% to more than £12m

By Roland Rudd

T&S Stores, the retailer of tobacco, greetings cards, newspapers and confectionery, lifted pre-tax profits for 1990 from £6.6m to £12.1m.

The 82 per cent jump was achieved on a 44 per cent rise in turnover to £283.1m (£197.1m) and enabled the board to increase the total dividend by 1p to 5p via a proposed final of 3p.

Mr Kevin Threlfall, chairman, said the result both "vindicated and justified" the company's decision to acquire Dillons, a chain of neighbourhood newsagents, with cash raised from a 1989 rights issue.

He said: "We have successfully expanded the company by turning small newsagents into all-servicing confectionery, tobacco and video shops."

Last month it completed the purchase of 22 Convenience Stores from the Johnsons News Group, which it plans to build on by adding another 24 stores to its total of 270 CCN stores by the end of the year.

Mr Threlfall said he was confident of improving the product range after recently doubling warehouse capacity to 18,000 sq ft.

The company's net cash balance was £6.8m. Earnings per share increased by 30 per cent to 13.67p (10.5p).

French waste paper deal for Smurfit

Jefferson Smurfit has reinforced its activities in the recycling of waste paper with the acquisition of Centre de Dechets Industriels group.

CDI is the second largest waste paper company in France and handles more than 400,000 tonnes per annum, of which 25 per cent is exported.

Smurfit said the consideration was not material in the context of the group.

Business failures leave Co-op in loss

By Richard Waters

CO-OP BANK plunged into a £14.9m pre-tax loss last year, due mainly to provisions resulting from two large corporate collapses that occurred after its financial year end.

The bank, which made a pre-tax profit of £18.5m in 1989, reported provisions of £57.2m for 1990, up from £26m the year before.

Some £16m of this was reported a post balance sheet event, reflecting the worsening state of its loan book since its financial year ended on 12 January.

A "substantial part" of the £16m related to two corporate failures, said Mr Terry Thomas, managing director – Pavilion Leisure, a property and hotels group, and Citygrove, a developer of retail parks.

Leaving aside these post balance sheet items, the increase in provisions for 1990 was lower than that reported by other clearing banks, said Mr Thomas.

After all provisions are taken into account, the bank reported a risk-asset ratio of 11.5 per cent, compared with just under 12 per cent last year.

Co-op's profits were further dented by the £13m it paid in interest to holders of interest-bearing current accounts.

Recent restructuring and cost-cutting, which will continue this year, will make the bank more profitable, said Mr Thomas.

The bank expects to cut up to 700 jobs, some of them part-time, from its current workforce of 4,437. It cut around 300 last year. This is intended to improve the bank's costs/income ratio, which at 77 per cent is around the same level as that of Midland Bank.

The bank said it would not pay a dividend for 1990, saving £2.5m.

Elys (Wimbledon) improves 29%

Elys (Wimbledon), the department store retailer, lifted pre-tax profits in the year to February 2 by 29 per cent to £1.12m against £867,000 for the previous 53 weeks. Turnover rose by 6 per cent from £11.68m to £12.42m.

A final dividend of 14.5p (13.5p) is proposed for a 16p (14.5p) total. Earnings improved from 45.9p to 62.3p after tax of £369,000 (£304,000).

£68m disposals at Dares Estates to cut borrowings

By Vanessa Houlder, Property Correspondent

Dares Estates, the troubled developer, yesterday announced property disposals amounting to £67.7m.

It warned, however, that the proceeds were less than the book value of the properties and so would contribute to substantial losses in the 1990 accounts.

It is in negotiations with its banks as these losses, together with other provisions, have breached warranties. "Having regard to the substantial reduction in borrowings which will be achieved through these sales and indications from the banks concerned, the board is optimistic the negotiations will be successful," it said.

Mr Brian Tomlinson, managing director, said that the sales, on an average yield of slightly less than 10 per cent, were the result of "a totally realistic view of the market". "The overwhelming urgency was to reduce borrowings," he said.

Following the announcement, the share price fell from 8p to 7¼p. One broker said that the market was disappointed by the conditional nature of some of the sales.

Irish tempt bull market with sweet offer

Kieran Cooke on the upcoming partial flotation of Irish Sugar

THE bulls are out on the Dublin stock market, heads down and ready for the first big privatisation of an Irish state concern.

The Irish Sugar Company, to be renamed Greencore, announces its share pricing and listings particulars next week, with dealings due to begin on both the Dublin and London exchanges before the end of the month.

By international standards, the sale is not a big one: the state is only selling 55 per cent of its stake.

There is much speculation about the share price, but some analysts say it is likely that in excess of I£100m (£90m) will be raised from the partial flotation, putting a total value on the group of about I£200m.

The government and company are confident of success. There has been no UK-style publicity campaign to encourage private investors. The Dublin stock market has recently bounced back and there seem to be plenty of funds available.

The Irish government has no Thatcherite ideological commitment to public ownership. But a programme of what are termed "pragmatic privatisations" is envisaged.

Later this year the Irish Life insurance group is due to be fully or partially floated, possibly raising as much as I£300m. At some later stage Bord Telecom, the Irish telephone service, could be a privatised.

In many ways Irish Sugar is an ideal first candidate. Last year the company made pre-tax profits of I£21m on turnover of I£271m. Its sugar operations are acknowledged to be among the most efficient in the European Community, while diversification into foods and agri-trading shows signs of producing solid results.

Commercial success has come only recently. A state concern since the early 1930s, Irish Sugar was used by successive governments as a vehicle for developing the native food industry. But high labour costs plus production inefficiencies led to a financial crisis. Between 1980 and 1985 the company lost I£53m and was effectively broke. It was only saved by an additional I£59m cash injection.

In 1985 the government gave a new management the mandate to carry out a tough cost-cutting exercise. A stop was put to loss-making activities: inefficient plants were closed. The workforce was reduced from 3,600 to today's 1,700. Meanwhile more than I£40m was invested in new plant.

The turnround has been impressive. Operating profits have doubled from I£12.5m in 1986 to I£25.8m last year. Turnover has increased by nearly I£90m. Over the same period net debt has been reduced from I£52.7m to I£31.7m. Returning the company to financial health has not been an easy task, particularly in relation to large-scale job losses.

Irish Sugar has also had to fend off takeover moves, in one instance from companies controlled by Mr Larry Goodman, the Irish meat trader now fighting for survival after revealing debts of more than I£500m.

About 10 per cent of the shares are likely to be taken up by employees and 6,000 beet growers. The government will keep its shares for at least two years and has retained a Golden Share to stop the sale of any of the main assets.

The company has also been made virtually takeover proof by restrictions which stop any corporate investor holding more than 15 per cent of the equity.

Chris Comerford: expansion sought through acquisition overseas. Expertise could be put to use in Spain or Greece

Mr Chris Comerford, group chief executive, says that in spite of the limitations imposed on the flotation there has been plenty of interest.

"We are looked on as a solid, efficient enterprise. People are interested, not just in Ireland but also in the UK and on the Continent, particularly in Germany," he says.

There are limitations on any big expansion in the company's sugar operations. Output – currently 200,000 tonnes per year – is controlled by the EC quota regime.

The company has a virtual monopoly in the domestic sugar market and while the sugar division is likely to continue to generate substantial profits, its sales will probably drop to about 40 per of group turnover this year.

Mr Comerford sees expansion either through acquisition overseas, possibly in Spain or Greece where Irish Sugar could put its expertise to use, or through the growth of the food and agritrading divisions.

At the end of 1989 Irish Sugar bought a 50 per cent stake in Odlums, the largest Irish flour miller, for I£17.6m and will acquire the remaining 50 per cent at the time of flotation. Earlier this year Grassland, a fertiliser operation with a 25 per cent share of the domestic market, was acquired.

"We aim to be a broadly based agri-business," says Mr Comerford. "We must get a wide geographical spread to our operations. It's the only way to expand."

DIVIDENDS ANNOUNCED

Abtrust New Euro	fin	0.25‡	June 28	-	0.25‡	-
Assoc Fisheries	fin	6	May 23	5	7	6
Baird (William)	fin	5.35	July 4	5.15	8.9	8.4
Beckman (A)	int	1.63	June 3	1.63	-	4.78
Brammer	fin	8.5	July 1	8.5	13	13
Butler Cox	fin	3.5	May 31	3.5	5.25	5.25
Cooper (Fred)	int	1.5†	July 1	1.5	-	4
Costain	fin	7.5	July 1	7.5	12.25	12.25
Elys (Wimbledon)	fin	14.5	-	13.5	16	14.5
Estates & Gen	fin	2.525	May 29	2.525	3.75	3.75
Ibstock Johnsen	fin	3.75	-	3.75	6	6
Ipeco	fin	2	June 7	2	3.2	3
London & Man	fin	9.144†	June 7	8.295	13.32	12.09
Oliver Group	fin	4.75	May 13	4.75	5.82	5.75
PFG Hodgson	fin	1.5	July 1	-	3.6	-
Scholl	fin	3.5	May 20	3.5	6	6
T&S Stores	fin	3	May 31	2.5	5	4
Tilbury	fin	22.5	June 5	22	33	32
TT Group	fin	3†	May 30	2.5	5	4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Excludes special of 0.6p.

UK COMPANY NEWS

Difficult year ahead but recovery in textiles sought

Higher interest leaves Baird static at £33.8m

By Alice Rawsthorn

WILLIAM BAIRD, the textile and engineering group, yesterday unveiled static pre-tax profits of £33.77m for 1990, compared with £33.29m, due to the downturn in the textile and engineering markets.

Mr Donald Parr, chairman, said 1990 had been a "very difficult" year for the group. So far, he said, this year had proved difficult too, although he hoped to see a recovery in textiles during the second half.

Group turnover rose to £519.61m (£444.52m) and operating profits to £39.89m (£35.83m), although roughly half this growth was attributable to acquisitions.

A steep increase in interest payable to £6.62m (£3.73m) checked the growth in pre-tax profits. The increase in interest reflected a rise in gearing from 12 to 26 per cent due to cash payments for acquisitions and higher capital expenditure.

Earnings per share slipped to 24.1p (24.3p) because of the increase in the number of shares in issue following the acquisition of Centaur in mid-1989. The board proposed an increase in the final dividend to 5.35p producing a total of 8.9p (8.4p).

The textiles division, which is one of the largest clothing suppliers to Marks and Spencer, increased operating profits to £27.06m (£23.32m) on turnover of £399.38m (£335.02m). The textile market was hit by weak domestic demand and fierce import competition last year.

Darchem, the engineering division, saw operating profits rise to £12.83m (£12.5m) on turnover of £120.22m (£109.5m). Its performance was affected by the slowdown in the car and construction industries.

Mr Parr said that current market conditions were so uncertain that it was impossible to predict the outcome for 1991 with any certainty. However, he was confident that Baird would be able to "avoid catastrophes" and hopeful that the textile market would be beginning to recover by the end of this year.

● COMMENT

William Baird has been so steady a performer in the troubled world of textiles that it was scarcely a surprise to see it produce a set of results free from the plunging profits and awful extraordinary charges that have peppered those of its competitors. The group has such a broad spread of textile interests – and so solid a relationship with M and S – that this division seems well placed to weather yet another testing year. The outlook for engineering is rather bleaker and profits are expected to falter this year. All in all Baird will do well to hold profits at £33m in 1991. This leaves the shares, unchanged at 267p yesterday, fully valued on a prospective p/e of 10 at least until it shows signs of real resurgence.

Oliver Group takes a backward step to £2.7m

By Maggie Urry

OLIVER GROUP, the third largest specialist footwear retailer in the UK, suffered a fall of 34 per cent to £2.7m in pre-tax profits for 1990.

However, the 440-strong chain recorded a 22 per cent rise in trading profits to £4.3m.

The pre-tax figure was held back by a £496,000 trading loss at Oliver's 32 picture framing shops, compared to a small profit in 1989; losses of £358,000 in the photo-processing business, which was sold three days before the year end; a fall in profits from property sales from £2.6m to £1.8m; and a rise in interest charges to £2.6m (£2.3m).

Turnover from on-going businesses was 5.6 per cent higher at £93m, while group turnover rose 6 per cent to £98m.

Mr Ian Oliver, chairman, said that the group's usual first half loss would be higher in the current year than the £1.4m interim loss in 1990. But, he said, this should be corrected by the year-end as losses had been eliminated by the sale of the photo-processing chain and a return to profits by the framing division.

Mr Graham Taylor, group managing director, said the first quarter of the current year had been tough in footwear even before the impact of the budget increase in VAT was seen.

An unchanged final dividend of 4.75p is proposed to give a slight increase for the year to 5.82p (5.75p). Earnings per share were 33 per cent lower at 11.28p (16.88p).

The shares yesterday fell 3p to 185p, while the A non-voting shares were 5p lower at 100p.

Refocused Scholl dips to £14.2m

By Michiyo Nakamoto

SCHOLL, the personal and foot care products group formerly known as European Home Products, reported a fall in pre-tax profits last year in its first results since embarking on a restructuring program.

The decline to £14.18m from the previous £15.91m came in the wake of a number of disposals aimed at focusing the group's operations on personal care products.

Last year it sold its sewing and consumer durables businesses in March and its loss-making hosiery businesses in October. On a pro forma basis, excluding the contribution from the disposed-of businesses from the 1989 results, pre-tax profits were up 14.5 per cent from £12.4m.

Turnover declined to £145.75m (£388.84m) although it was higher on a pro forma basis (£123.99m). Trading profits rose to £16.39m (£16.11m or £14.85m pro forma).

Mr Neil Franchino, chief executive, said that the healthy performance reflected the group's success in penetrating markets and in coming up with new and improved products.

The fastest area of growth was in the foot and legware division, indicating that there was still considerable room for expansion for its bread-and-butter products, he said.

Last year's disposals reduced borrowings from £55m to £13m and gearing from 60 per cent to 14 per cent.

With the group's activities focused solidly on the provision of personal care products and with its balance sheet in order again, the group said it was looking to expand through acquisitions and licensing and distribution agreements.

Earnings per share fell to 10.9p (12.1p) although on a pro forma basis, excluding an exceptional gain of £10.02m arising from the disposal of two properties in 1989, earnings were up 51 per cent from 7.2p per share. The final dividend is unchanged at 3.5p giving a total of 6p.

● COMMENT

A solid set of results from a company that has been transformed from a mishmash of businesses to a neatly focused group makes Scholl a perfect example of what can be accomplished by a sensible change of course. Scholl, which was acquired by EHP in 1987, had been its main contributor, putting in annual compound growth of 10 per cent and doubling trading profits over three years. The balance sheet, which has been restored to healthy order by the disposals, is set to be boosted further with the £4.1m that the group is still owed from the sale of its sewing and consumer durables businesses. Together with expected cash flow from a highly cash generative business, borrowings could be eliminated by the year end. The management, meanwhile, has continued to exploit the Scholl brand name with new product lines and forays into overseas markets. Turnover in Japan, for example, where it sells graduated compression hosiery, more than doubled in 12 months, although being a joint venture the results are not consolidated. The prospects for the group using its proven marketing skills to expand in a similar way in other markets look good. Profits of some £16.5m this year give a prospective p/e of 13. While this is in line with the market, considering that similar companies in the sector are trading at premiums of over 10 per cent, the shares still have some way to go.

Gloomy 1991 for finance houses

By David Barchard

BRITAIN'S FINANCE houses face increased arrears and bad debts, reduced new business, and falling profits in 1991, according to the annual report of the Finance Houses Association published yesterday.

"The deteriorating business environment has adversely affected every part of our members' activities," said Mr Bob Wyatt, FHA chairman.

Finance houses lend money to individuals or companies for the purchase or leasing of large assets.

Most reported a sharp drop in profits last year and two of the Big Four clearing banks, Midland and Barclays, placed their finance house subsidiaries on the market. Midland later took its Forward Trust business off the market when it was unable to find a buyer.

Personal lending by finance houses dropped 3 per cent last year to £11bn and business lending was down 17 per cent to £5.8bn, though leasing activity rose by 18 per cent to £7.2bn.

Mr Wyatt said the FHA was concerned by recent Department of Trade and Industry proposals to tighten the law on credit marketing. He said some of the proposals would lead to increased costs and delays for customers.

The FHA is particularly worried by the European Community's Draft Directive on Data Protection.

It says it would effectively put an end to credit scoring, one of the main tools lenders use when assessing a customer's credit worthiness.

Bob Wyatt: concerned by credit control proposals

Lower death rate dampens PHK

By Michiyo Nakamoto

A 3 per cent decrease in the national death rate last year put a damper on profits at PFG Hodgson Kenyon International, the UK's largest quoted funeral services group that is just under 30 per cent-owned by the French funeral group Pompes Funèbres Générales.

Pre-tax profits for the year to December 31 were £8.08m on turnover of £50.84m. Comparable figures for the three months since the group started trading in October 1989 show taxable profits at £2.3m on turnover of £12.29m.

The group was formed in July of that year in a merger between Hodgson Holdings, the funeral services company led by the flamboyant Mr Howard Hodgson, and Kenyon Securities. In February, Mr Hodgson unexpectedly departed the company, selling his 12.5 per cent stake to the French, and leaving it in the hands of a French-dominated management.

A marked decline in the UK death rate last year was blamed by the group for a fall in operating margins on funeral services. In the second half of the year the death rate fell by 8 per cent from the first half and in December alone it was 29 per cent lower year on year due to the absence of a flu epidemic. The fall in the death rate had led to a slump in turnover to £21.34m in the second half, compared with £22.55m in the first six months, the company said.

The fall in turnover in the second half resulted in a reduction in operating margin on funeral services, which accounted for 88 per cent of group turnover. Funeral Services contributed £44.87m to turnover and £13.22m to group operating profits which amounted to £11.92m due to a loss from the pre-arrangement business and central overhead costs.

Borrowings were at £31m at year-end against net assets of £6.7m. Interest cover last year was two times if the preference dividend is treated as interest rather than dividend. The group has been building up an executive limousine hire and the contribution from this side is included in the funeral services business as are that of the emergency services and crematoria.

A final dividend of 1.5p is recommended making a total of 3.6p.

Assoc Fisheries pulls out £3.4m

Associated Fisheries pulled out of its first-half decline to report a 64 per cent rise in taxable profits for 1990.

The advance, from £2.07m to £3.39m, was achieved on sales down of £85.14m (£109.17m).

Mr Keith FitzGerald, chairman, said the improvement reflected substantially higher profits throughout the group and a positive pre-tax contribution from Macfish.

Operating profit surged to £4.05m (£1.38m) helped by higher contributions from trading, oil distribution and engineering. Last time's figure was hit by losses at DA Macrae.

An increased final dividend of 6p makes a total of 7p (6p) for the year. Earnings rose to 12.64p (10.07p).

Associated Fisheries is more than 50 per cent-owned by Eastern Produce.

COMPANY NEWS IN BRIEF

BAYNES (CHARLES): Offer for Fist Fast Packaging has been declared unconditional as to acceptances. The offer, and partial share alternative and the loan note alternative, is extended until further notice. Valid acceptances total 99.71 per cent of the issued share capital. Charles Baynes' rights issue of 30m new ordinary has been taken up as to 95 per cent.

BLACK (PETER) has sold the assets and business of Hornsea Pottery to Zenemint, a new company, for £103,000 cash. Inter-company debt of £800,000 was also repaid. Proceeds to be used to reduce group borrowings.

COMMUNITY HOSPITALS Group has received applications in respect of 7.91m of the 8.07m ordinary shares issued in its rights issue. The balance has been sold in the market at 184p, compared with the issue price of 138p.

ELLIS & EVERARD has purchased the business and certain net assets of KD Thermoplastics for £2.65m cash. In 1990, KD, based in Chertsey, Surrey, achieved pre-tax profits of £670,000 on sales of £10.3m.

FERRANTI has sold its PABX interests to Siemens Communications. Siemens will take over the existing maintenance operations and will provide an ongoing service for the UK installed base of Ferranti PABX Systems.

FERROMET: Talks which may have led to an offer for the company by Mr L Whyte, chief executive, have been terminated.

HALLS HOMES AND GARDENS: The rights issue has had a 98 per cent take-up, subscribed as to :- by directors 1.52m ordinary, other existing shareholders by way of rights 10.17m, existing holders through underwriting commitments 23.05m, and other institutions through underwriting commitments 0.69m ordinary.

MARKHEATH SECURITIES has disposed of 4m ordinary shares (9.59 per cent) in Frogmore Estates, reducing its stake to 17.25 per cent.

MAXIPRINT has contracted to acquire at least 96 per cent of Decisionware, conditional on the placing of shares to be issued to the vendors by way of initial consideration which amounts to £94,000. Further consideration totals £7.12m over the years to March 31 1994 depending on profits. Decisionware specialises in computer software, productivity tools, software application products and professional services.

PRINCES, the canned goods importer and a subsidiary of Mitsubishi Corporation, has acquired G Barraclough, the Bradford-based soft drinks manufacturer.

REGINA HEALTH & Beauty Products: Mr Shiraz Malik-Noor, chairman, has exercised his option to acquire 10m ordinary shares at 2p per share. He now owns 17.5m (16.36 per cent). Also the Stock Exchange has approved in principle a selective placing of up to 9m shares. On the completion of both, the company will have about £400,000 of additional capital.

WILLIAMS (REX) Leisure has had discussions with a private company with a view to the injection of a business into the public company leading to the company gaining a USM quote.

Fresh job losses as British Alcan falls into the red

By Kenneth Gooding, Mining Correspondent

LOWER SALES and falling prices saw British Alcan Aluminium fall into the red in 1990 – the first deficit since the company was formed from a merger in 1982.

Taxable losses amounted to £12.3m after an exceptional provision of £10m for a plant closure in London. In 1989 the group, a wholly-owned subsidiary of Alcan Aluminium of Canada, made pre-tax profits of £32.8m.

Mr Douglas Ritchie, chief executive, said no significant recovery in profitability was likely before 1992.

However, he said group exports had benefited from Britain's entry into the Exchange Rate Mechanism "which has stabilised our commercial relationships with customers in continental Europe."

British Alcan's export tonnages were up last year, from 80,300 tonnes to 85,600 tonnes, but lower prices saw sales value fall from £283m to £239m.

Exports to other European Community countries jumped by some 14 per cent to 69,300 tonnes.

Mr Ritchie also pointed out that the group's debt-to-equity ratio at the end of last year "is still a very healthy level at this stage of the business cycle."

Employment costs rose by £9m, or 5.6 per cent compared with 1989, to £178m.

Numbers employed at the year-end were 10,238, slightly below the 10,664 at end-1989.

However, another 245 jobs are to go with the closure this summer of the Silvertown foil converting plant in London.

The £10m exceptional provision is to cover the cost of this closure and the removal of most of the operations to Glasgow where British Alcan has made substantial investments.

The fall in profitability affected British Alcan's cash generation but at £61m it was similar to that for 1989. Efforts to improve stock management contributed to a reduction in operating working capital of £31m.

This allowed the group to continue its capital investment programme, which absorbed £65m (£76m), without a substantial increase in borrowing.

Turnover fell from £862.7m to £819.7m. Operating profits were £16.9m (£51.1m).

Interest payments rose from £18.3m to £19.2m but tax fell from £9.3m to £2.4m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Finals- Dawsongroup, Gardner (DC), Halls Homes & Gardens, Ingham (George), Johnson Group, Malaysia Equity Fund, Pittencrieff.

FUTURE DATES

Interims-	
Cosalt	Apr. 23
New Frontiers Dev Trust	Apr. 26
Stanhope Properties	Apr. 9
Finals-	
Cairn Energy	Apr. 10
Dinkie Heel	Apr. 12
EIS	Apr. 16
FBD	Apr. 10
Lawrence (Walter)	Apr. 11
Mowlem (John)	Apr. 9
Pittard Garnar	Apr. 11
Scottish Heritable Trust	Apr. 12

Flat first half for Frederick Cooper

By David Owen

FREDERICK Cooper reported flat interim profits in trading conditions that the Midlands-based mini-conglomerate described as the most difficult for 10 years.

Taxable profits for the six months to January 31 amounted to £2.29m, against £2.31m in 1989-90.

Turnover, augmented by a string of first-time contributions, climbed by 24 per cent to £41.68m (£33.62m).

The company said that the underlying trend in sales represented a reduction of 3.5 per cent and in profits a reduction of about 10 per cent.

The fall principally came in the architectural manufacturing division, where margins have been squeezed both by the difficulty of passing cost increases on to customers and the need to manufacture in inefficient short batches, according to Mr Ed Kirk, chairman.

He said that the company had noted no improvement in second-half trading conditions, although "the trough in demand appears to have flattened."

Cooper's net trading margin fell to 5.5 per cent from 6.9 per cent, partly due to the growth of distribution activities, which accounted for 43 per cent of sales, against 19 per cent.

The company now claims to hold the number two slot in the architectural products distribution sector.

Fully diluted earnings per share fell to 3.2p (4.2p), while the slide in basic earnings was from 3.1p to 2p. The interim dividend of 1.5p is maintained.

Mr Kirk described Newman Tonks' 4.2 per cent stake in Cooper as "very friendly."

Electricity crackles faced with immersion in water

Welsh dragons are rampant over possible fusion of two utilities, writes Clare Pearson

MR WYNFORD Evans and Mr John Elfed Jones, chairmen of South Wales Electricity and of Welsh Water respectively, used to go fishing together.

Now, when these two leading lights of the Welsh business community are thrown together, the rest of the so-called Taffia watches closely to see if the veneer of cordiality will crack.

Friendly relations broke down after WW spent some of its cash pile of more than £200m on the surprise purchase of a 9.95 per cent stake in the smaller neighbouring utility, immediately after the regional electricity companies floated last December.

At that time Mr Elfed Jones said he saw the stake as helping to push along talks with SWE about co-operative joint ventures and cost savings.

The companies met once, just after the stake was acquired. No further discussions have taken place – but, recently, the tense silence threatened to turn into an outright row.

This was after the publication of a piece of research by Kleinwort Benson Securities entitled Welsh Water: Merger Possibilities?

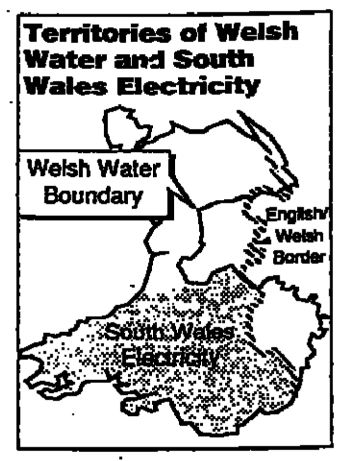
SWE points out that Kleinwort just happens to be WW's stock broker. Indeed Mr Evans remarks of the document: "It is most peculiar; it reads curiously like an offer document without being one."

At least some of the deterioration in relations can be blamed on the way WW bought the shares. SWE was incensed to discover that Smith New Court, its own broker, bought much of the stake for WW.

SWE moved swiftly to appoint Rowe & Pitman, part of SG Warburg, as its joint broker. Burson Marsteller, which faced a possible conflict of interest since it also looked after WW, has been replaced as financial PR by Citigate Communications.

However, this does not look like simple pique at WW's cheek on the part of SWE. The companies are also profoundly at odds over the value each company would obtain even from joint ventures, let alone through a merger.

John Elfed Jones: 50 per cent profit on WW shares



Wynford Evans: savings would be on WW's side

Mr Peter Hyde, a Kleinwort analyst, claims that savings of £5m-£7m could be achieved through joint ventures, and of £10m-£14m from a full merger – not counting the tax benefit of WW being able to offset otherwise unrelieved ACT against SWE's taxable profits. Mr David Jeffrey, WW's managing director, confirms that WW thinks these figures are "not that far out."

Mr Evans, however, says all the joint-venture possibilities were investigated by a working party last year. As far as SWE was concerned, he says, this uncovered only modest benefits from co-operation.

Mr Hyde says operational savings could be achieved in such areas as billing and information technology, depot rationalisation and integrated working of maintenance crews.

As far as billing goes, the two companies differ in that SWE meters all its customers while WW meters very few of the domestic premises it supplies.

Nevertheless, Mr Jeffrey says he can envisage the creation a joint billing exercise using the same computer, the same people and the same records on customers. Any overlap in meter-reading would come on top of the other savings and efficiencies.

Mr Evans, however, says that the biggest synergy in terms of billing is that SWE could accept payment of WW's bills at its shops. In fact such a scheme has come in effect this month. But the gain to SWE is measured in "the lower six figures".

He says he sees no scope for putting the operations together in terms of information technology. On WW's computerised billing system, he says: "We looked at their system last year and felt it did not meet a 10th of our total requirement." In any case, he says, there is a fundamental stumbling block because WW's mainframe system is ICL-based while SWE's is IBM.

Mr Jeffrey counters: "In the medium term we are all reassessing our hardware needs. We have been told that our billing system is state-of-the-art but that theirs is years out of date."

Mr Evans concedes he can see savings on the transport side through joint maintenance and purchasing. He says SWE is exploring such possibilities with a number of parties but the savings would be in the order of a few hundreds of thousands of pounds.

Meanwhile he heaps scorn on the notion that roads could be dug up for water pipes and electricity wires by the same people at the same time.

"Water pipes are laid deep in the centre of the road while our cables are laid shallow in the pavement."

In summary, Mr Evans is adamant that if there are savings of the size envisaged in the Kleinwort piece, the vast bulk of them must be on WW's side.

WW, on the other hand, thinks SWE's attitude is unnecessarily inflexible. Mr Jeffrey says: "Our objective is to be as adventurous and brave as we can, and there is lots we can do well short of a merger."

Mr Evans can at any rate rest assured that there is no immediate prospect of SWE being taken over by WW or indeed anybody else. The golden share runs until 1995 and after that under the articles there may be no stakes of more than 15 per cent until 2000.

Among the other bodies that would have to approve any takeover, the regulators for the two industries – Mr Ian Byatt for water and Mr Stephen Littlechild for electricity – would need to be satisfied that it would not adversely affect the two companies' core businesses. Mr Byatt in particular would need to be convinced that WW was not using funds which should have gone on capital expenditure to improve services.

Some observers suspect that WW's move is primarily politically motivated. They point out that SWE, as the smallest regional electricity company, has been viewed as the one most vulnerable to eventual takeover: WW may see in this the potential to become Wales plc.

At least one other electricity company chairman sees WW's moves in terms of putting a political marker down. He dismisses the projects the company is talking about as "the kind of thing we have looked at for donkey's years and never found worth the effort".

However, there is evidence of some other water and electricity companies showing a willingness to work together, such as the two Yorkshires with their wind-farm project in the Pennines.

Some industry followers say it is a pity that SWE and WW cannot get together to try out the ideas which would provide an excellent test case for the other 20 regional water and electricity companies. But, given current relations, the pair seem miles away from carrying out such experiments.

It must be a comfort to Mr Elfed Jones that WW is currently looking at a profit of about 50 per cent on the average price of 166p it originally paid for the SWE shares.

These have been the best performing of their peer group; but it seems unlikely Mr Evans will invite Mr Elfed Jones on a fishing trip to celebrate.

NEWS DIGEST

Ipeco up 5% and order books strong

IPECO Holdings reported a 5 per cent rise in annual profits, from £3.43m to £3.59m, and expressed confidence for 1991 with strong order books for both divisions – aerospace and specialised engineering.

Turnover in the 12 months to December 29 rose 8 per cent to £18.01m (£16.79m) and after reduced operating profit of £2.97m (£3.3m) other income of £621,000 (£138,000) lifted the taxable outcome.

The final dividend is maintained at 2p, for an increased total of 3.2p (3p). Earnings per share came through 11 per cent ahead at 8.74p (7.86p).

Mr Christopher Johnson, chairman, said profits would have been more than half a million pounds higher without the effect of the strong pound on dollar earnings in the second half.

Ipeco shares yesterday rose 5p to 80p. It was also announced that BSG, the motor distributor, had sold its 6.9 per cent stake in Ipeco to institutional investors.

Estates & General declines to £2.77m

Profits of Estates & General, the property investment and development group, fell from £3.65m to £2.77m pre-tax for 1990 after taking account of a £3.61m rise in interest charges to £8.12m.

Investment rental income rose 29 per cent to £7.23m (£5.62m). Net asset value per 20p share on a fully diluted basis fell from 299p to 233p.

Basic earnings emerged at 0.02p (4.54p), or 4.92p (7.74p) fully diluted. A same-again final dividend of 2.525p maintains the total at 3.75p.

At the year-end gearing stood at some 92 per cent of shareholders' funds.

A Beckman falls to £697,000

Profits of A Beckman, the textile and property investment and trading company, fell from £993,000 to £697,000 at the pre-tax level for the half year ended December 31.

Turnover fell from £8m to £6.68m, with the property contribution down from £2.42m to £857,000.

Textile profits rose by £107,000 to £353,000. With no trading property sales this time, profits from property activities fell by £353,000 to £442,000.

Earnings emerged at 3.9p (5.6p) and the interim dividend is a same-again 1.63p.

Butler Cox down 42% to £760,425

Butler Cox, a management consultancy, felt the general downturn in its market in 1990 and saw taxable profit fall 42 per cent from £1.32m to £760,425 on turnover up nearly 15 per cent at £10.73m.

External charges rose to £4.05m (£3.29m) and staff costs took £5.94m (£4.76m). Net interest income rose to £330,634 (£254,168).

Exceptional items amounting to £215,705 represented redundancy costs of £153,000 and a charge of £63,000 incurred in an unsuccessful expansion plan.

Mr George Cox, managing director, said management consultancy, specialising in information technology, contributed revenue of £4.5m (£5.1m), 42 per cent of the total. Overseas activities put in £3.7m.

An unchanged final dividend of 3.5p makes a same-again 5.25p for the year on earnings per share of 6.81p (16.43p).

The shares fell 4p to 129p.

Abtrust New Euro net assets at 77.46p

Abtrust New European Investment Trust, which came to the market in February 1990 and specialises in smaller European stock markets, reported net asset value of 77.46p per share at February 28 1991.

The figure compared with nav of 87.18p at end-August 1990.

Net revenue at end-February amounted to £355,300. Earnings per share emerged at 1.04p basic and 2.03p fully diluted. A final dividend of 0.25p is recommended which together with a special distribution of 0.6p brings the total to 0.85p.

Anglo Pacific slides £1.6m into the red

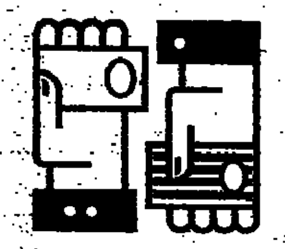
Anglo Pacific Resources, the USM-quoted mineral explorer and producer, sustained a pretax loss of £1.6m in 1990 compared with profits of £631,000 for 1989.

The taxable result was struck after an increased exceptional charge of £1.38m (£582,000). Losses per share worked through at 2.04p (0.23p earnings). There is again no dividend for the year.

FINANCIAL TIMES SURVEY

LATIN AMERICAN FINANCE

Friday April 5 1991



The region's economic prosperity looks more assured than it did a year ago. However, most Latin American politicians and economists will remain uneasy while they wait for concrete evidence that the US recession is ending. **Robert Graham** reports

A brighter panorama

WITH the Gulf War over and oil prices stabilised, Latin American countries will remain uneasy about the international outlook until they see positive evidence of the US recession bottoming out.

Yet compared to a year ago there is much more cause for optimism. Widespread fears that the international business community would be seduced by the opportunities opening up in eastern Europe and the Soviet Union at the expense of Latin America have proved groundless. Indeed, the contrary has tended to happen.

President George Bush last June launched his "Enterprise for the Americas" initiative, heralding Washington's desire for a new and more equal partnership with Latin America. For the first time, the US appears genuinely committed to fostering strong investment and trade ties with the region, beginning with a Free Trade Agreement with Mexico.

This is partly a consequence of the US recognising that Latin America is no longer a region of super-power conflict and thus relationships have no need to be based on military ties and aid flows. It is also a product of continuing uncertainties over the fate of negotiations on trade liberalisation in the stalled Uruguay Round talks.

Such considerations do not exclude the expansion of relations between Latin America and the European Community or development of new ties with Japan and the Asian NICs. But it is nevertheless an implicit acceptance that the Americas offer a natural sphere of US influence.

Latin American leaders for their part have buried old antagonisms and prejudices about US imperialism, and with it their traditionally defensive view of foreign investment. Instead they see a natural synergy between their resources, cheaper labour, expanding markets and North America's technology, capital and purchasing power.

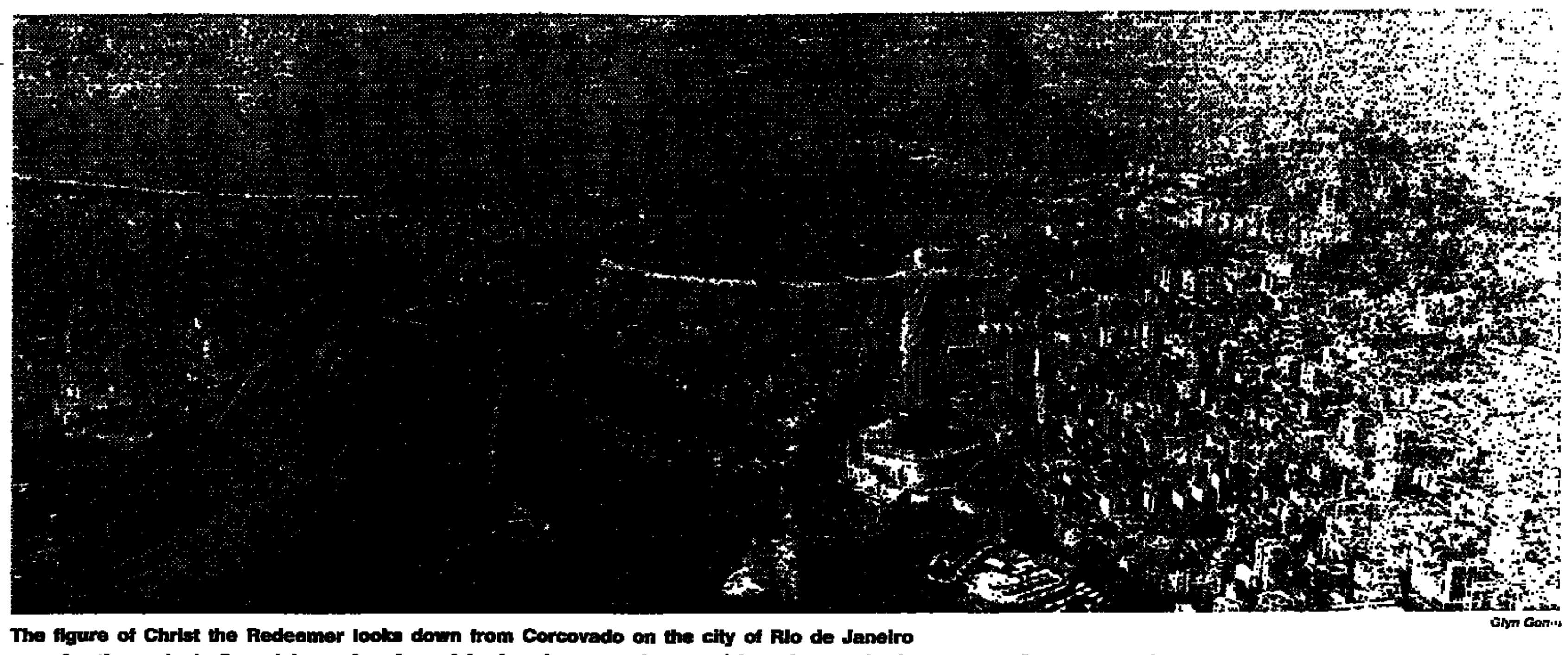
No American president has been so well received in Latin America as Mr Bush when he visited the region late last year. The fact that he went ahead with the trip at the height of preparations for the Gulf war underlined his commitment. The initiative's ultimate aim – to create a free trade zone from Alaska to the Antarctic – may still sound unrealistic. Nevertheless, it provides a stable framework both for Latin American governments to plan economic development and for foreign investors to consider the opportunities in this resource-rich region with a population of more than 400m and a GDP two thirds that of eastern Europe and the Soviet Union.

At the same time, instability in the Middle East and the problems of dealing with eastern European nations undergoing large political transformations without any experience of the market economy has highlighted the potential in Latin America. The region boasts functioning if imperfect democracies, a vigorous private sector (with unhealthily large quantities of capital invested abroad), and a modern banking system with effective central banks.

Just as important, some hard lessons have been learned over the past decade as a result of the debt crisis. Recession has bit deep with average per capita incomes back to the levels of the late 1970s. Only Colombia has recorded consistent positive growth. Governments have been forced to adapt. For example, the need to service debt, or at least retain the goodwill of the international financial community, led to the abandonment of the once fashionable import substitution model development.

The emphasis has switched to export-orientated growth, economic liberalisation, financial deregulation and the dismantling of investment restrictions and trade barriers. In tandem the role of the state has been slimmed down and attempts have been made to carry out thorough fiscal reform.

The significance of this seemingly irreversible shift in direction and policy cannot be over-emphasised. Up and down Latin America governments are talking the same language and incidentally learning from the mistakes and examples of other people. In this context, the Inter-American Development Bank (which meets this week in Nagoya, Japan) has become not merely a lending agency but a forum for channelling these new ideas on macro-economic policy; and Mr Enrique Iglesias, its president, has established himself in Washington as *de facto* spokesman for the region's financial affairs.



Glyn Genin

The figure of Christ the Redeemer looks down from Corcovado on the city of Rio de Janeiro

Cuba is the sole country stuck in a socialist time-warp. But Chile has emerged from military dictatorship to be the model of economic management and market-orientated policies – demonstrating that sound economic policy is not the prerogative of authoritarian rule.

Increased homogeneity of policy encourages integration. Once again the idea of a common market within central America is being revived. More significantly, Argentina, Brazil, Paraguay and Uruguay signed on March 26 the Treaty of Asuncion. This commits the four countries to work towards eliminating tariff and non-tariff barriers on trade by December 1994. The treaty further envisages a free trade in services and co-ordination of monetary policy. Such an aspiration when Argentina and Brazil are still grappling with hyper-inflation may seem grossly over-ambitious; yet five years back the mere idea would have been inconceivable.

Meanwhile, the generalised acceptance of privatisation as a means to cut the role of the state, stimulate investment and reduce debt has become one of the most remarkable phenomena in the past year. The Mexican treasury this year could earn more than $10bn largely through the sale of banks and the national telephone company; Brazil over the next two years could raise $18bn in privatisations while Argentina has retired $10bn of debt in this way. The main problem here is going to be competition for funds and investors.

Although the region's macroeconomic policies are pointed in the right direction, the results remain uneven. On the positive side, a growing number of countries are over the worst of the "lost decade" of the 1980s and are beginning to enjoy sustained recovery. Recession has not prevented the value of the region's exports increasing in five years from $78bn to $120bn, with the 1990 trade surplus standing at $26bn.

In part this reflects oil sales (and Colombia's entry as an oil exporter) alongside the continued strength of traditional commodities such as coffee and copper. However, agricultural exports have diversified and done well, as have non-traditional exports. One cannot ignore either the continuing impact of the vast illegal drugs trade in underpinning economies such as Bolivia, Colombia, Peru and increasingly those of central America.

Export surpluses have helped cope with the large demands to cover debt service. Although the region's debt stands at a daunting $425bn, the debt service ratio has dropped from a high of 41 per cent to 26 per cent at the end of last year. Chile and Mexico last month became the first countries to raise funds through sovereign debt issues since the onset of the debt crisis in 1982.

The debt overhang has become more manageable and a series of imaginative debt-reduction formulas has been found. Mexico, Costa Rica, Venezuela and, lastly, Uruguay have achieved debt reduction deals with the commercial banks within the Brady Plan formula. The Paris Club last year approved seven rescheduling agreements for official bilateral debt, the softest terms being extended to Bolivia and Guyana.

Nevertheless, the debt burden imposes contraints across the board and will long condition access to fresh external funding. By the end of last year four countries were behind in their payments to the International Monetary Fund, five to the World Bank and seven to the IADB. Indeed, unpaid arrears largely explain last year's lower level of net capital transfers at $19bn. Total arrears increased $11bn to $30bn last year, of which nearly a quarter was accounted for by Brazil, the largest foreign debtor.

The most difficult debt cases to resolve are also those economies still suffering hyper-inflation – Argentina, Brazil, Nicaragua and Peru.

In varying forms, these governments are paying the price for past economic mismanagement, combined with continued failure to hold down public spending and introduce effective fiscal and monetary policies.

Since the beginning of the year, both Argentina and Brazil have introduced new adjustment plans but it is premature to suggest they are about to turn the corner.

It is essential they do, since between them they account for 40 per cent of the region's debt and 35 per cent of its exports. Their plight casts a cloud over an otherwise brightening panorama.

IN THIS SURVEY

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Commercial bank loans dominated in the 1970s and early 1980s, but the range of instruments has broadened, writes **Tracy Corrigan**

Borrowers rediscover the capital markets

THE trickle of Latin American borrowers returning to the international capital markets is gaining impetus. According to research by Salomon Brothers, capital flows into Latin America have grown from $5bn in 1989 to over $13bn for 1990.

While commercial bank loans dominated Latin-American finance in the 1970s and early 1980s, the range of both borrowers and instruments has broadened considerably in the last few years. Both state-owned and private companies have been able to tap the market using a variety of instruments, including bonds, securitised or collateralised debt, and share issues.

The improvement in economic conditions in some countries has been matched by a realisation that the performance of Latin American bonds, as opposed to loans, has been quite strong.

"The general perception of Latin American debt is coloured by the loan restructurings. But debt securities and equities have performed well in dollar terms," one banker says. "Over the last 15 years, the default rate for bonds has been less than 1 per cent."

Latin America has generally proved a good bond credit and a bad loan credit, reflecting, perhaps, differences in bond and loan structures. Bonds are much harder to restructure than loans, and defaulting on a bond issue would lead to loss of access to the capital markets for an indefinite period.

Mexico and Venezuela have completed Brady-style debt agreements, and embarked on economic reforms, while Chile has reached a comprehensive agreement with its private creditors. Investors have also realised that even distressed economies such as Brazil may have one or two strong companies.

Summary of capital flows to selected Latin American countries (1989-90 $m)

	1989	1990
Argentina	1,400.5	521.5
Brazil	150.0	406.3
Chile	1,149.9	2,045.4
Mexico	702.3	8,395.2
Venezuela	1,020.2	1,842.6
Regional	577.5	175.0
Total	5,000.4	13,386.0

Source: Salomon Brothers

Mexico, following a political and economic resurgence over the last few years, has been the at the forefront of the market, since it effectively reopened in 1989. It was the largest recipient of new capital flows in 1990, with a total of $8.4bn, enough to cover the nation's projected current account deficit twice over, say Salomon Brothers.

To have access to the international capital markets, a Latin American issuer has to be at the top of its industry, financially strong, and a large generator of dollars. This means that there are only a dozen or so eligible names in Mexico, still more than in most other Latin American companies.

Pemex, the state oil company, has led the way with Eurobond issues in D-marks, Austrim schillings and dollars, as well as a US domestic offering. Pemex's recent dollar offering is trading at a premium to its face value, reflecting firm investor demand.

The shortage of Mexican paper is likely to encourage Mexican borrowers to return to the markets, where they may find more attractive rates. However, a double digit coupon remains psychologically important; few investors will buy paper which matures in more than five years.

Among recent Mexican borrowers, Telmex, the telecommunications company, brought a $150m US private placement last year, while Cemex, the cement producer, has launched one Eurodollar bond issue and is preparing another. This is expected to be a $300m registered Eurobond, via J. P. Morgan, with a tranche for placement in the US, under Rule 144A. Other issuers include Novum, an industrial company and Vitro, a glass producer.

In the short-term markets, the London and New York branches of Mexican banks issue 90 to 180 day certificates of deposit. Mexican companies are expected to start to issue commercial paper soon, though, again, there will be a strong quality constraint.

Outside Mexico, large borrowings have been few, although the volume of small private placements has risen.

Chile, perceived as a stronger credit than Mexico, has been little in evidence, due to the country's well developed domestic markets.

Chile's top companies can raise funds for as long as 12 years domestically for a margin of only a couple of basis points above the dollar London interbank offered rate, a funding level which most companies elsewhere in the world would envy. The short-term paper market also offers highly competitive rates.

Pemex, Mexico's state oil company, has led the way with Eurobond issues in D-marks, Austrian schillings and dollars, and a US domestic offering

Rates in Chile became very tight because of the growth of pension funds, which were restricted to domestic instruments. As their demand for paper could not be met by domestic issuance, there has been some relaxation of the rules. Chilean companies have little incentive to borrow outside their own market. However, Compania de Telefonos de Chile (CTC), the telecommunications company, issued nearly $100m of shares as American Depository Receipts on the New York stock exchange last year.

Chile contrasts with Mexico, where domestic rates are high, and the market extends no further than a year. For 30 to 90 day dollar funds, even the strongest companies have to pay between 17 and 18 per cent.

There have been a number of issues by Venezuelan companies, such as Sivensa Steel and Corimon Chemical. Petroleos de Venezuela, the Venezuelan oil company, raised DM200m last October. But Venezuelan companies are generally less well known internationally, and the economic fundamentals are less favourably perceived.

In other countries such as Brazil, Argentina and Colombia, still facing economic problems, there have been only a few privately-placed deals, usually for less than $25m.

■ MEXICO: learning from past mistakes

In the final stages of privatisation

"A bigger state meant a reduced ability to respond to social demands and in the end greater weakness of the state . . . the state kept expanding while the welfare of the people collapsed." President Carlos Salinas de Gortari, November 1989.

IF privatisation is the new buzzword in Latin America, Mexico can take much of the credit. Eight years ago, Mexico's government started selling its state-owned companies; some 250 privatisations later, the process is almost over. Within the next 12 months the country's 18 state-controlled banks, the remainder of its shares in the telephone monopoly, Telmex, and the steel company, Sidermex should all have been sold.

The government would be left with the state-owned oil company, Pemex, the federal electricity company, railways and postal services, among other enterprises. But Mexico's constitution keeps these strategic companies in state hands – and Mr Salinas, under pressure from the nationalist forces in his party, has vowed not to change the constitution.

The Mexican privatisations have, as in the rest of the continent, been driven by the desire to raise money (this year the government could raise more than $10bn from privatisations), to improve the efficiency of former state-owned enterprises, and make the government more responsive to social rather than industrial problems.

As in Chile, the other pioneering privatiser in Latin America, the desire has proved easier than the implementation. Mexico's early privatisations were messy, ad hoc and poorly organised.

Mexicana, the state airline, was finally sold in August 1989, some three and a half years after Mr Salinas, then budget minister, had told the FT that its sale "was a fact". Cannanea, the copper mining company, was finally sold last year, four years and four bungled auctions after it was first put on the market. The biggest scandal camewhen the government preplaced some non-voting bank shares in 1987 to bank employees and, it is alleged, to government sympathisers. The shares were greatly under-priced; those of the two biggest banks climbed by 3,000 per cent and 2,000 per cent respectively in the seven months after the offering.

Mr Jose Cordoba, Mr Salinas's closest adviser, seems to have admitted to the difficulty of the process when he warned in a recent article in the Mexican magazine *Nexos* that "there is a tendency all round the world for privatisation programmes to underestimate the complexity and time-consuming nature of each transaction". Mr Cordoba criticised Chile's 1970s privatisation programme for leading to "crony-type capitalism" – exactly the criticism that opponents have levelled at the Mexican government.

The government has been more careful in evaluating companies before putting them up for sale, and introduced a two-stage bidding process for the sale of the banks and Telmex

But with Mexico's privatisation programme entering its final stage, the government seems to have learnt from many of its past mistakes. Recently, it has been much more careful in evaluating companies before putting them up for sale. It has introduced a two-stage bidding process for the sale of the banks and Telmex – one stage to weed out undesirables and another to select the highest bidder. The new process largely rules out string-pulling and bribes.

Ashley Ashwood

Chief of Staff Cordoba: realised the difficulties

The Salinas administration has also done a much better job at spelling out the regulatory structure the companies will face in the private sector. In the case of Telmex, the government set fairly rigid quality standards, price controls and conditions of competition.

In December, a consortium headed by the dynamic Mexican businessmen Mr Carlos Slim Helu paid $1.76bn for a 20 per cent controlling stake in Telmex, the largest-ever cash purchase in a developing country privatisation programme. The new company looks to be keeping to the regulations set out by the government – although earlier this year it had to waive temporarily a price increase owing to popular outcry. Over the next three years the consortium says it will invest $8bn in improving quality of service.

Later this year, the government is expected to sell the remaining 36 per cent stake in Telmex through an international share offering which could fetch roughly $3bn. This will be the first time a developing country has sold a public company through the international capital markets.

Similarly, the Salinas government shrewdly laid the grounds for the bank privatisation in 1989 when it overhauled the financial system. It liberalised bank lending and deposit rates, and ended the compulsory channelling of credit to preferred sectors. Subsequently it introduced legislation that facilitates universal banking (when banks, brokerages and insurance agents are under the same roof), but prohibited the formation of integrated industrial/financial conglomerates.

In selling the banks, the ministry of finance has gone to great lengths to avoid accusations of selling them too cheap, or that it is givng them away to its friends. Booz Allen and McKinsey, the management consultants, have just finished valuing nine banks apiece. Each bank has to value itself and a national banking commission makes still further valuations.

Ashley Ashwood

President Salinas: financial liberalisation set the scene for bank privatisation

The government started privatising banks on February 19 this year, when it announced that Banpais, Multibanco Mercantil and Cremi would be the first to be sold; at the close of registration some 17 offers had come in for the three banks.

According to a recent report by the Association of Mexican Banks, the government could raise up to $8.5bn from the sale of 18 banks, just under 20 per cent of Mexican internal debt, and 85 per cent of the 1989 government deficit. Even at these prices there appears to be no shortage of suitors; as of the middle of March there were some 59 registered offers from 19 Mexican groups.

The ministry of finance suggests that Banamex, the biggest and best-run bank, with $18.5bn of assets, will be bought by either Mr Roberto Hernandez, boss of the brokerage, Accival, or Mr Fernando Senderos of the conglomerate Desc (20 per cent of the voting shares will be bought by regional board members). Grupo Visa of Monterrey apparently is bidding for both Bancomer, the second biggest bank, and Serfin, which is also being bid for by Grupo Pulsa, owner of the brokerage Vector.

Perhaps the most interesting bid is for Banco Internacional from its 2,000 regional board members. Mr Jaime Corredor, Banco Internacional chairman, has been travelling the country putting the bid together with full support from the government. In spite of its official position of neutrality with regards to bids, the government would clearly like at least one of the banks to be controlled by small shareholders.

Mexico's recent privatisations have been made a lot easier by the improvement in the economy over the past couple of years. As the chaotic Brazilian and Argentine attempts at privatisations attest, selling state companies when the economic future is so uncertain is a recipe for disaster – although the alternative of not selling loss-making companies may not be much worse.

Still, Mexico's privatisation unit in the Ministry of finance deserves some credit for learning from its past mistakes, and improving the process of privatisation as the programme has continued. If the unit privatised itself, it could probably profit handsomely from selling its services to its Latin neighbours.

Damien Fraser,
Mexico City

The Inter-American Development Bank has seen many changes since 1988, writes **Nancy Dunne**

An ambitious sense of purpose returns

THE news fluttered through the bureaucracy of the elegant Inter-American Development Bank headquarters in Washington. Greenpeace, the activist environmental group, was outside delivering an eviction notice – to make room for a forest.

The "eco-warriors" were handcuffing themselves to trees to protest against the bank's proposed forestry policy, which they insist would evict native people from their homelands.

Inside the heavily-guarded confines of the bank, the protest seemed to evoke little alarm. Since 1988, when Mr Enrique Iglesias and Mr James Conrow came aboard the IADB as president and executive vice-president, the two have been steering the bank into the mainstream of environmental consciousness.

Officials point with pride to the creation of a new environmental division which reviews each project for potential negative impact. Six environmental projects were approved last year and 13 are in train this year, totalling $750m.

The bank has been restructured, and staff levels quietly reduced by about 18 per cent. Morale, at a low ebb in 1988, has rebounded and there is an ambitious sense of purpose.

This was defined by the intellectually restless Mr Iglesias, who works 15 hour days, sleeps four hours a night and studies German and the piano in his spare hours. The IADB, he decreed, should be the main instrument of modernisation for Latin America. Furthermore, it would serve as a bridge with other international organisations and the industrialised nations, meeting frequently with Latin American leaders, explaining the region's needs and sensitivities to the rest of the world.

As planned with the last capital replenishment, the pace of lending has accelerated from a low of $1.7bn in 1988 to $3.88bn last year. The bank is expected to pour into Latin America $5bn in 1991; $6bn in 1992 and more than $7.6bn in 1993.

Lending has moved into new areas with sectoral loans (comprising up to 25 per cent of the total), environmental loans, and small projects loans, targeted principally at women, young people, indigenous populations and low-income groups. Operations have been decentralised with loan officers on the scene getting a greater say in various projects.

As the IADB has changed, so have the views of Mr Conrow, the second in command. Before coming to the bank, he was for four years the deputy assistant US Treasury secretary responsible for relations with the developing countries and the international financial institutions.

In those days, he saw the bank as an overpaid, sluggish bureaucracy, following outdated prescriptions for development, making poor loans to inefficient governments. Thinking was so long-term, he says, that the bank never seemed "to get at the problems". It needed to improve the quality of its loans; move into sectoral lending; take environmental consideration into the planning; work more closely with the World Bank and the International Monetary Fund.

Mr Conrow's nomination to his present post by the Treasury (the job is traditionally held by Americans) so horrified the last IADB president, that Mr Antonio Ortiz Mena resigned rather than submit to US dictates. Mr Iglesias had no such qualms, however, and the two men have formed a complimentary working relationship with the president focusing on concepts and strategies and Mr Conrow overseeing the bank's operations.

"Before I came here, my job was to negotiate for the US government," Mr Conrow says. Not quite keeping up with his boss but working 13 hour days, his concern has grown for "the human side" – the social conditions of the region. He talks with enthusiasm about "massifying" small project loans through local banks and non-governmental organisations (NGOs)) to "spread out" the benefits and create a thriving, legitimate small business sector.

At the US Treasury he had urged closer ties between the IADB and the World Bank. The two have been working in tandem on "fast disbursing" sectoral loans which enable governments to make basic policy changes. The idea was that the World Bank would conduct a two-year tutorial to get the IADB quickly into the process.

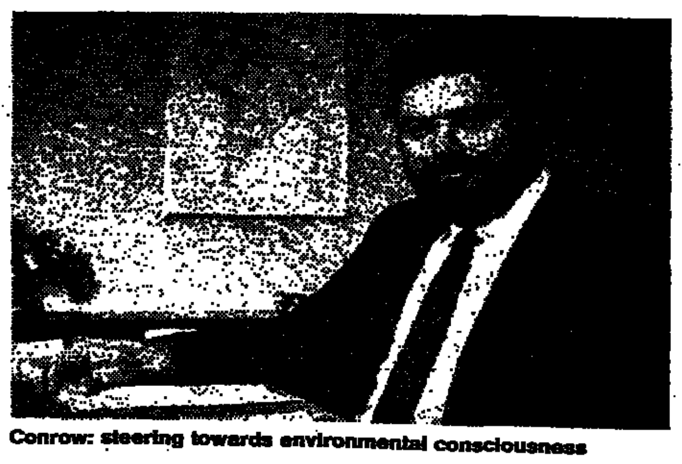
Now Mr Conrow has begun to wonder if relations have not become too close. "They might not have it right all the time," he says. "But we can learn from the World Bank's mistakes." With the World Bank supporting macroeconomic policy adjustments, the IADB can dig more deeply into sectoral problems to root out the structural impediments.

Both banks have been taking up the financing of Mexico's transportation and telecommunications networks, including the privatisation of TELMEX, the country's principal telecommunication company. Half the $600m has been disbursed. Mexico, Bank officials say, has performed beyond expectations; the second $300m tranche is likely to be approved in April or May.

Other changes have come. Lending has gone increasingly to create support for private investment and financial sector development. Emphasis has been placed on providing loan and technical assistance in the areas of scientific and technological development.

The bank is providing analytical and technical support for the creation of regional common markets, the Paraguay-Parana waterway project, the integration of energy sources for Mexico and Venezuela and creation of a central American regional group.

Attention has been paid to the ailing economies of Haiti, Nicaragua, Peru and Panama. In Haiti, where the government is considered weak, loans are made through NGOs. The other three are so far in arrears that the IADB is not permitted to loan to them, but the bank is working with the governments to devise repayment plans and projects for each are "in the pipeline."

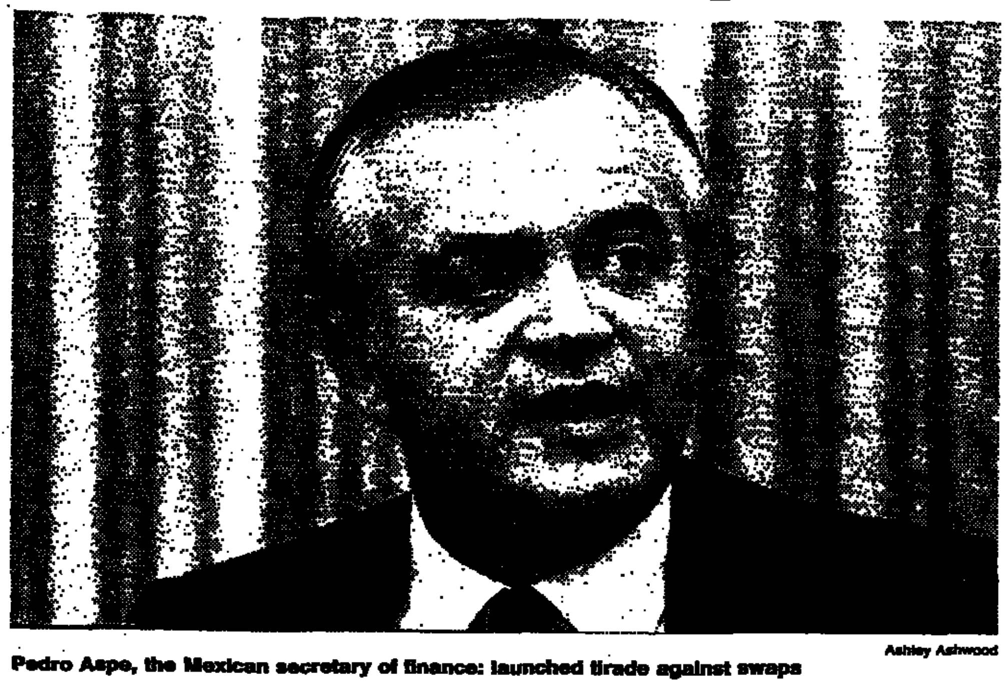


Conrow: steering towards environmental consciousness

For all the activity, the bank is not without its critics. Although Mr Iglesias and Mr Conrow said they were committed to reforming the IADB's poor environmental record, Mr Campbell Plowden of Greenpeace insists they are rushing through a destructive forestry policy in order to get it to the annual meeting in April. The NGO committee, set up for such purposes, has not been consulted, he said.

"It's very easy to talk rain forest rhetoric and sustainability. It's not easy to achieve," he said. Mr Iglesias has taken the offensive against criticism by working with the United Nations Development Programme to produce "Our Own Agenda" for the region.

He agreed with the environmentalists that "sustainable growth is not a luxury" but a prerequisite that made both economic and moral sense. Development must go on, he said, because poverty is one of the leading enemies to world environment.



Pedro Aspe, the Mexican secretary of finance: launched tirade against swaps — Ashley Ashwood

DEBT-EQUITY CONVERSION

Going out of style

TWO years ago in Amsterdam at the annual meeting of the Inter-American Development Bank, the Mexican finance minister, Mr Pedro Aspe, launched into a tirade against debt-to-equity swaps.

Except in special circumstances, they were inflationary. If attempts were made to make sure debt-equity swaps did not cause inflation, money had to be taken out of the economy to neutralise their effects on the money supply. This would result in a damaging rise in domestic interest rates.

However, fewer and fewer of the old-style debt conversions to which Mr Aspe was so antagonistic now take place in Latin America. Chile, which paved the way in encouraging foreign investment and a return of flight capital through debt conversions, is one exception. But the shrinking discount on its debt – now less than 20 per cent – has made it less attractive and little debt is now being converted.

There is now excitement at the prospect for one of Mr Aspe's special cases: using debt conversions in privatisations. Because privatisation involves a transfer of assets from the public to the private sector, no monetary expansion results when the debt is converted.

Debt-equity conversions can still be controversial, even in privatisation: the selling of national assets to foreigners at subsidised rates is not necessarily widely popular. It can also be self-defeating, particularly when the conversions provide investors with a subsidy for an investment they would have made in any case.

In Argentina, this does not seem to be a worry. Government officials have talked of reducing the country's $60bn foreign debt by 20 per cent through the current spate of privatisations. This may be ambitious. But, although the latest, of the state airline, seems to have hit turbulence, there seems a political determination to push ahead.

In Brazil, where two steel manufacturers are on the block, progress is less certain, although expectations continue that it will establish a programme to help with its privatisation. It abandoned debt-equity conversions four months after the start of its 1988 rescheduling package. But Mexico has already auctioned $3.5bn of rights to debt conversion in its privatisations, which include the telephone company and its banks.

While moving ahead with its privatisation plans, Venezuela has been emphasising new investment. It has held three debt-equity auctions since 1989, converting about $250m of debt. This suggests estimates that it may erase up to $2bn of debt over the next two years to encourage investment into big energy, tourism and infrastructure projects are ambitious.

Mr Mark Coombs, head of emerging markets at ANZ Merchant Bank, says: "There are still private sector corporate finance deals to be done using debt/equity conversions, but much of such corporate finance business will be large scale privatisation and these will be the main users of old sovereign debt.

"The problem is that demand driven by privatisation will cause the supply of paper to dry up and prices will increase to the level where benefits become marginal."

Mr Paul Luke of Chartered WestLB, the London merchant bank, points out that in spite of the risks, converting public debt into equity in privatisations, particularly in Argentina and Brazil, may well be a rational choice. In both countries, the private sector runs significant surpluses, while the public sector continues burdened with heavy deficits.

Figures cited by the World Bank in its quarterly *Financial Flows to Developing Countries* suggest that debt-equity conversions have slowed in recent years. From their peak in 1988, where $13.8bn of swaps were estimated to have taken place, the figure dropped in 1989 to about $12bn and last year to an estimated $11bn.

But debt-for-equity is not the only way in which countries have managed to erase their old debt. Less important from a numerical point of view, Bolivia has led the way in so-called "debt-for-nature" swaps where debt is cancelled to finance environmental projects. The Dominican Republic has set up a four-year programme that will convert $80m of debt, 10 per cent of its external debt, into funds for conservation.

Bolivia has led the way in so-called 'debt-for-nature' exchanges

The Inter-American Development Bank has agreed a $300m debt-for-nature swaps deal with the Mexican government. The Bank will buy Mexican foreign debt and the government would spend money saved from the purchase on reforestation of parts of polluted Mexico City.

Debt-for-development swaps have also benefited in a small way a number of Latin American countries, notably Ecuador, Peru and Costa Rica. However, new US bank accounting rules have reduced the incentive for US banks to donate debt to non-profit organisations.

Only two countries, Yugoslavia and Peru, have introduced formal debt-for-export schemes, where countries are allowed to cancel a portion of their debt in return for the export of domestic products. Debt is cancelled and cash paid according to different ratios, depending on the type of exports. However, such swaps seem unlikely to be widely used. Most governments would see cash as preferable to cancelled debt. As the World Bank has pointed out, widespread use of such programmes would also tend to promote inefficient exporters.

Bank debt is also disappearing through cash buy-backs, although only 9 per cent of Venezuela's bank creditors chose this option in its recent Brady deal, and bond-for-debt exchanges. Of these, the $33bn exchange of bonds for Mexican debt under the Brady plan is the largest. It may remain so, depending on the discounts agreed on the restructuring of the bank debt of Brazil and Argentina.

Finally, another avenue of debt conversion has also appeared, which involves the cancellation of official debts. Bolivia and Brazil pioneered an agreement where Bolivia's debt to Brazil would be cancelled in return for Bolivia's purchase of Brazilian bank debt and its subsequent cancellation.

In the US Enterprise for Americas Initiative and the deal agreed last month between the Paris Club of creditor governments and Poland, official creditors have the option to cancel official debt in exchange for local currency.

Stephen Fidler,
Euromarkets Correspondent

DEBT CONVERSION PROGRAMMES IN SELECTED COUNTRIES ($m)

	1985	1986	1987	1988	1989	1990	1985-90	% share
Argentina	-	-	180	1,067	1,224	6,950	9,421	14.5
Bolivia	-	-	-	446	235	149	830	1.3
Brazil	465	173	300	5,668	2,318	1,000	9,924	15.3
Chile	277	927	1,854	2,889	3,122	978	10,047	15.6
Colombia	-	-	-	-	336	-	336	0.5
Costa Rica	-	7	104	29	130	989	1,259	1.9
Dominican Republic	-	-	-	-	1	-	1	0.0
Ecuador	-	-	128	261	24	45	458	0.7
Jamaica	-	-	-	9	25	22	56	0.1
Mexico	-	413	4,252	5,731	2,623	9,782	22,801	35.2
Nigeria	-	-	-	-	10	50	60	0.1
Philippines	-	81	450	931	614	1,551	3,627	5.6
Uruguay	-	-	-	118	27	25	170	0.3
Venezuela	-	-	340	230	390	2,619	3,579	5.5
Yugoslavia	-	-	-	134	1,400	710	2,244	3.5
Total	742	1,601	7,608	17,513	12,479	24,860	64,813	100

Source: Institute of International Finance and IECDI

DEBT CONVERSION PROGRAMMES

	1985	1986	1987	1988	1989	1990e	1985-90	% share
Debt-equity swaps	497	822	3,271	8,236	4,608	10,933	28,367	40.7
Local currency payments	-	63	87	3,422	1,531	730	5,833	9.0
Debt buyback/exchange	-	-	-	1,874	988	10,333	13,195	20.4
Local currency conversions	156	438	796	1,639	2,238	2,374	7,641	11.8
Private sector restructuring	89	279	3,454	4,340	3,113	500	11,775	18.2
Total debt conversion	742	1,602	7,608	17,511	12,478	24,880	64,811	100

Source: Institute of International Finance

■ BRAZIL: privatisation under pressure

Problems for the sell-offs

"BRAZIL'S privatisation programme is becoming increasingly like the boy who cried wolf," says Mr Ken Baxter whose bank Bozano Simonsen is trying to put together a fund of potential foreign investors. "The government wants us all to get excited at this stage but we've seen it all before."

He is one of many who are beginning to think that the Brazilian government has bitten off more than it can chew with its ambitious programme to raise $18bn from the sale of 28 state companies by the end of 1992.

The forthcoming sell-offs all in the steel, petrochemical and fertiliser sectors are fraught with problems. But the programme is way behind the schedule announced in March 1990 to sell six companies last year, and President Fernando Collor is eager to delay no longer. Potential buyers fear he will insist on quick sales, glossing over vital details which could cause problems later.

Mr Baxter points out "the British took years over privatisation and appointed top-rate advisers and expertise. Here they're trying to do it in a quarter of the time with some very suspect advice."

Such doubts are important. With Brazil in its worst recession for 47 years and possessing only a small stock market, the privatisations are reliant on foreign money for success.

"There is no doubt that foreign capital is very important," says Mr Licinio Velasco, director of privatisation at the National Development Bank (BNDES) which is overseeing the process. "But the big difference between ours and other privatisations is our immediate fund of money is very great."

Mr Velasco claims: "without even thinking of new money we have a fund of between $70bn and $100bn." This consists of between $20bn and $40bn of MYDFAs, Brazil's main foreign debt instrument, $10bn to $30bn in internal debt, $30bn of blocked cruzados seized in a drastic assets squeeze last year and $3bn in privatisation certificates which banks and financial institutions have been forced to buy.

With all proceeds from privatisation committed to reduce Brazil's $120bn foreign debt, the sales will be less a matter of willing buyers eager to invest in Brazil and more of shuffling of papers many holders have already written off. The attempt to force banks into buying privatisation certificates and to persuade Brazilians to use their hard-earned blocked cruzados have added a sour taste of coercion to the process.

Foreign debt conversions are expected to be the main currency and Mr Eduardo Modiano, head of the programme, says he expects privatisation to be "MYDFA driven". The discount rate for conversions has been set at 25 per cent, though regulations governing conversions are still to be announced. Also to be decided is whether there will be a minimum holding period. The National Securities Commission wants shares to be held for 42 months, which many see as a deterrent.

Collor: eager to end delay — Ashley Ashwood

Brazil believes its rules for foreign participation are fairly liberal. Although foreign companies can hold only 40 per cent of voting shares they can put up 100 per cent of the capital through joint ventures.

In spite of doubts that Brazil is trying to do too much too soon there is considerable foreign interest with many leading banks setting up large funds. The first privatisation is likely in July and the company, Usiminas, has attracted the most interest. The prospectus on this profitable steel mill, which has Japanese and Italian participation, is due out at the end of this month. BNDES hopes the sale will raise at least $1.7bn.

However, many of the companies BNDES has announced to detract attention from the delay from the original timetable are less attractive with massive debts and bulging payrolls and expected union problems. The overworked underpaid technical staff of BNDES are currently flooded with reports from advisers and with an eager president breathing down their necks no time or resources to follow advice to clean up these companies.

Many of those to be sold off in the petrochemical and steel sectors have minority shareholders with whom no agreement has been arranged. The steel companies were all formerly controlled by Siderbras, the holding company for the state steel sector which was liquidated by the president a year ago. Foreign banks could insist that receipts from sales be used to cover outstanding Siderbras debts – an estimated $12bn.

The first sale must be successful for the government to tackle more controversial privatisations which require changes in the Constitution. They hope eventually to sell off everything from the ports to the petrol monopoly and communications.

Christina Lamb
Rio de Janeiro

One of the world's most economically divided regions is uniting

The race towards free trade

FOR much of the past 40 years Latin America's economies have been bitter, protectionist rivals. With singular success they restricted, and even prohibited trade between each other, as each country strove for self-sufficiency, or, better still, trade surpluses.

The remarkable fact is that now the very same countries are queuing up to form common markets and free trade agreements. Brazil, Argentina, Paraguay and Uruguay hope to set up a common market by the end of 1994; Mexico and the Central American republics by 1996; Chile, Colombia, Venezuela and Mexico will soon negotiate their free trade agreements. Astonishingly, one of the world's most economically divided regions could soon become one of the most unified.

There are still enormous obstacles to the creation of common Latin American market, especially in Argentina and Brazil, where almost anything could happen in the next few years. But what seems undeniable is that the old import-substitution model of development, as propagated by the UN Commission for Latin America throughout the 1950s and 1960s, has been discarded.

The speed of reform has inevitably been uneven. Chile, which started the 1980s with a relatively open economy, but became more protectionist under the pressure of external debt, has led the way in the past five years, and has reduced its maximum tariff to 15 per cent. Mexico and Bolivia soon followed, abolishing all import licences and slashing tariffs. More recently, Venezuela, Colombia, Argentina and lately Brazil have all started to reduce tariffs and import restrictions – although in the last two cases the rhetoric has been more extreme than the reality.

The lift to Latin American economic integration rather than to mere liberalisation has come in part from the threat of trading blocs in Europe, North America and Asia. Many Latin American leaders fear that simply liberalising trade may not help their economies, if the rest of the world's trade blocs turn into fortresses. Hence the desire to form a regional trade bloc within Latin America and eventually with the US and Canada.

Bush: free trade from Alaska to Argentina — Ashley Ashwood

In this, Latin America's leaders were given a fillip by President George Bush's Initiative for the Americas, launched last June, which called for a free trade area from Alaska to Argentina.

However, just as Mr Bush's initiative is seen mainly as a political rather as an economic gesture, the same is true of the impact of many of the trade initiatives within Latin America. More than 85 per cent of the continent's trade is still with countries outside the region. As long as Latin American economies continue to produce roughly the same things rather inefficiently, opening their economies to the rest of the world will be far more economically significant than opening up to each other.

The biggest obstacle to more substantial integration is the 1980 Montevideo treaty

But the trade deal's political impact could be important. For the first time in years most of Latin America's leaders, all of whom are now democratically elected, get on with each other. Many of the trade agreements being discussed appear primarily to be means of cementing the current good relations between the countries.

In Mexico, for example, the foreign ministry has been pushing for trade deals with Latin American neighbours in the hope this will reassure those at home and abroad that the country is not becoming overly dependent on the US, with whom it hopes to have concluded a free trade agreement some time next year. But the trade deals under negotiation are not economically significant; only about 5 per cent of Mexico's trade is with Latin America, and just 0.23 per cent with Chile and 1.33 per cent with Central America, the two regions with whom it has been negotiating most intensely.

Similarly, only about 6 per cent of Brazil's trade is with the three Southern Zone countries with whom it is negotiating a free trade agreement. But relations within the three have been strained – in the 1970s Argentina spent billions on nuclear technology simply to match Brazil's programme. The proposed common market will force the countries to work more closely together; it will reduce trade barriers and require them to co-ordinate exchange rates and monetary policy.

Ironically, probably the biggest obstacle to a more substantial integration in the region is Latin America's 1980 Montevideo trade treaty, which gave birth to the Latin American Integration Association (LAIA). The treaty was meant to encourage greater flexibility in trade negotiations between member countries by allowing countries to negotiate bilaterally rather than multilaterally. Under the terms of the treaty a country could offer a specific discount on existing tariffs on a certain basket of goods to another country. The two countries would then bargain over the discount, and the composition of the basket.

However, in the opinion of one senior Mexican trade official, the treaty is a disaster and partly responsible for the fall in intra-regional trade from $12.1bn in 1981 to $9.93bn in 1988.

Part of the problem is that countries bargain over the discount and not over the actual tariff rate. Thus although a 90 per cent discount on a 100 per cent tariff rate is equivalent to a 50 per cent discount on a 20 per cent tariff, this was not recognised by the treaty. Countries apparently deliberately raised their basic tariff rates, (which everyone outside the bilateral negotiations had then to face) so as to enter bilateral negotiations in a stronger position. Worse still, many raised basic tariff rates still higher after negotiations were concluded, reducing the impact of the negotiated discount.

The second problem was that the basket of goods covered was unrepresentative and incomplete; in 1988, it included just 40 per cent of goods traded. By keeping some goods in the basket, and some out, government distorted trade and production within the region.

On April 5, members of the LAIA are due to report on some proposals by the Mexican administration to reform the treaty. These would force governments to negotiate actual tariff rates, rather than discounts, and exceptions to the basket of goods, rather than on what the basket should contain. Whether the Mexican proposals are accepted or not – Chile, Bolivia, Venezuela and Colombia are all apparently in favour – the Montevideo treaty is likely to be overhauled.

Given the instability in many of Latin America's economies, high inflation and widely different social conditions, a common market on the European model seems far-fetched. But some core treaty across the continent, followed by a series of over-lapping bilateral trade deals, seems within its reach. But unless such a treaty is accompanied by continued liberalisation with respect to the rest of the world, the economic impact will be slight.

Damian Fraser,
Mexico City

LATIN AMERICAN FINANCE 4

THE DIRTY DOZEN
Turnover in the LDC debt market and leading traders, ranked by volume

Trading house	Rank 1990	Rank 1989	Turnover ($bn) 1990	Turnover ($bn) 1989	Market value ($bn) 1990	Market value ($bn) 1989	Traders¹
JP Morgan	1	1	16.0	14.0	75-100	70-80	25
Man Hanover	2	7	14.5	8.0	130-150	100	20
Chase Manhattan	3	4	14.3	9.8	90-100	70-80	12
NMB	4	2	12.5	13.4	70-80	60-70	15
Citibank	5	5	10.6	8.5	80	60	11
Bankers Trust	6	5	10.1	8.9	100	80-85	16
Chartered WestLB	7	-	9.4	5.3	100	80	5
First Chicago	8	-	9.0	4.7	100	50-60	8
Midland Montagu	9	-	8.8	4.2	125	80	11
Salomon Bros	10	8	8.5	7.5	90	80-85	12
Banco Santander	11	11	7.5	5.5	80	50	6
Chemical bank	12=	11	7.0	5.5	-	-	7
Morgan Grenfell	12=	-	7.0	-	100-120	80-100	6

¹ Often includes activities other than straight trading: all traders worldwide
Estimate
Mid-range of market estimates
Last six months of 1990
Took over Libra team in 1990. In 1989 Libra's $11.5bn turnover placed it third

Source: RISK magazine

DEBT IN THE DEVELOPING COUNTRIES

A market transformed

THE market in developing country debt has been transformed in a matter of 18 months. The reason: the end of a six-year bear market and the creation of new securities which offer holders easily tradeable investments.

It was a market that seemed doomed to self-liquidate in the 1990s, as the bank loans were bought back, exchanged or converted into local currency by governments keen to reduce their debt.

Now, this seems less likely. Traders have extended their brief to include, for example, domestic securities in dollars and local currencies and blocked currency accounts, and the number of countries whose debt is traded has widened significantly over the last year. Some are suggesting that a market for the trading of government-to-government debt is a possibility.

Yields on paper from some countries have also been pushed down to levels low enough to encourage the issue of new securities, for example, from Mexico, Venzuela and Chile. This suggests that the market could eventually provide the basis for an offshore capital market for Latin America.

In the early years, prices were guided almost entirely by levels of bank provisions. It was a market with few external buyers, apart from the debtors themselves.

Many banks would be prepared to sell debt at a discount up to the level of their provisions, because by doing so they would free some of the provisions.

Higher provisions therefore chased prices in the debt market downwards. Except for the Japanese – and their future behaviour provides an interesting question for the market's future – most banks arrived in 1990 near to desired provisioning levels and pressure on prices thus abated.

The second development to transform the market has been the emergence of the so-called "Brady" bonds. These bonds have been exchanged for bank loans in a number of the Brady packages. The $33bn created in the Mexico restructuring has been described as the largest single issue of bonds in history, and they are among the most actively traded securities in the international clearing systems.

At a yield of 13 per cent or more, the bonds, partly backed by US Treasury collateral guaranteeing repayment of principal after 30 years, have proved attractive to some investors, particularly with the fall in yields of other US assets.

The liquidity of these instruments has to some extent quietened the long-standing debate about whether trading in debt really constituted a market.

New traders have narrowed buyer-seller spreads significantly – on the Mexico Brady bonds this is now typically ⅛ to ¼ of a percentage point. A large group of traders now carry inventories of LDC debt, and brokers, such as Intercapital and Tullett & Tokyo, have entered the market and have made an impact.

Mr Xavier Lépine of the Paris-based FP Consult believes the market has developed sufficiently for there to be a valid options contract on an index. He points out that the conservatively-estimated trading volume last year of $80bn on a stock of debt of over $400bn face value compares almost exactly with the Paris bourse (although the absolute size of debt market is flattered because of the high discounts to face value at which the debt trades).

Others point out the heavy selling – from Middle East banks and the London consortium banks and elsewhere – that was absorbed into a stable to rising market last year. (However, market trading volumes are still hotly disputed and subject to double-counting and exaggeration. This makes tables such as that accompanying this article highly approximate.) Mr Lépine also believes the market's reputation for volatility is overplayed. While twice as volatile as the US Treasury bond market, he calculates it is significantly less volatile than, for example, the S&P 500 index of US stock prices.

Options are being marketed over-the-counter by some banks, particularly from the US, and have found buyers.

Along with a growth in sophistication, there has been an increase in trading. Because buyer-seller spreads have come down and arbitrage opportunities have been ironed out, many traders now attempt to make money by taking positions.

This, agrees Mr Ric Haller of Morgan Grenfell, is the main source of profitability for his team, which moved over in the middle of last year from the now-closed consortium bank Libra.

Others traders are more oriented towards market niches. Some, such as NMB of the Netherlands, appear to have eschewed market volume for what they call "value-added" business, for example using debt conversions to provide corporate finance solutions either for multinational or domestic companies.

Although US institutions continue to dominate the business, many are establishing a bigger presence in London. This is partly because the market has widened out from Latin America: according to traders, the debt of the Soviet Union, India and the countries of North Africa now trade at discounts to face value.

Mr Stephen Dizard, managing director at Salomon Brothers, says that US institutional investors – largely insurance companies and mutual funds – have so far been more interested in the market than their European counterparts, partly because it is mainly dollar-denominated.

The debt market, he says, provides the ability to deal in volume in assets from a country in which an institution may have a favourable view. The small stock markets of these countries are not yet developed enough to take investment on a large scale, he points out.

Some institutions look on the debt as a kind of convertible bond "spinning off some coupon payments and providing rights to convert into equity".

As Mr Paul Luke of Chartered WestLB, the London merchant bank, says: "Institutional buying is growing all the time."

However, it is from a modest base, and the debtor countries themselves – particularly if the heavy schedule of privatisations goes ahead in Argentina and Brazil and they obtain debt restructurings with the banks – still seem likely to provide the main source of buying for some time to come.

Stephen Fidler

THE BRADY INITIATIVE

Unexpected success

Witteveen: few banks chose debt reduction option

NOBODY is saying it very loudly, because Latin America's recent history has made forecasters cautious. But it is being said all the same: the Brady plan is working better than many dared to hope.

The initiative launched by the US treasury secretary, Mr Nicholas Brady, in March 1989 was never seen, even by its proponents, as a panacea for the ills of developing country debtors. Reducing the debt burden was a necessary, but not sufficient condition for economic recovery. Without profound economic reform in the debtor country, debt relief would fail.

The initiative shifted the focus of the international debt strategy, which changed the emphasis of the international debt strategy from debt creation to debt reduction. The idea was that official funds, mainly from the World Bank and International Monetary Fund, would be used to provide an incentive for commercial banks to agree to reduce their claims on debtor countries.

Particularly in Mexico, the first beneficiary of the plan, the combination of debt relief under the Brady plan and economic reform has engendered a third commodity, long in short supply in Latin America – confidence.

Greater confidence about the country's economic prospects is now being voiced outside the country. There is growing interest among foreign investors.

More important, domestic confidence appears to be building. This is leading to a steady flowback of flight capital, money squirrelled overseas because of the wealth-endangering policies of successive governments.

The banks may have believed the deal provided insufficient relief

The single most important indicator of domestic confidence is showing positive – domestic interest rates as measured by the rate the government pays to borrow through the short-term bill market.

This rate, close to 50 per cent when a debt agreement in principle was announced with the banks in summer 1989, is now closer to 20 per cent.

This sets in train a virtuous cycle – the pressure on the government is lightened because the government has to pay less to service its domestic debt.

Mexico was the first beneficiary of the Brady plan, for obvious political reasons. But the pressure exerted by the US to complete this deal has yielded benefits for others by providing a path which others could follow. The Latin American beneficiaries now include Venezuela, Costa Rica and Uruguay.

The deals have not provided much evidence of the so-called moral hazard: inducements to poor behaviour. The continent's best credits have not decided to seek the path of debt relief under the Brady initiative. Colombia and Chile last month completed exercises which include some new funds from banks.

Furthermore, for the first time since the early 1980s new investors have emerged willing to buy the debt of Latin American companies: Mexico, Chile and Venezuela, belying predictions that once debt forgiveness was conceded by banks, new finance would be closed to the debtors. Foreign banks may not be large lenders again, but that is probably no bad thing, but investors, private and institutional, do seem willing selectively to commit funds.

Mexico's early success has come despite arguments that the debt relief it won was too small. It has been calculated that the actual debt reduction for Mexico was 15.5 per cent, and the reduction of its interest burden was 23 per cent. Outside Latin America, the bank debt of the Philippines has fallen by a modest 6.5 per cent because of its Brady deal – and it looks likely to be forced into another restructuring. Only in Costa Rica, where the bank debt was bought back at 20 cents on the dollar, can the debt reduction be said to be profound.

The banks themselves, in spite of protestations to the contrary, may also have believed the deal provided insufficient relief.

Mr Johannes Witteveen, a former managing director of the International Monetary Fund, has made the following point: "In the case of Mexico, it is rather striking that only 10 per cent of the banks had preferred new lending without debt reduction . . . That so few have chosen this option seems to confirm therefore that they judged the debt reduction plan inadequate to achieve completely satisfactory results."

Now, however, other bankers may well wish they had followed Citicorp and the handful of other banks which decided not to offer debt relief but which instead made more loans.

Another reason the Brady initiative was expected to prove limited in scope *is that it* does not cover the government-to-government debt.

This is of limited significance for countries such as Venezuela and Mexico, but of greater importance, for example, for Brazil, where a higher proportion of debt is owed to foreign governments.

A number of developments will help alleviate this problem, at least for some. Bolivia, for example, as one of the poorer of the continent's countries, has benefited from debt relief under the Toronto terms. The US Enterprise for Americas Initiative also suggests a reduction of 50 per cent in up to $7bn in US aid loans in Latin America, and up to $5bn of official trade debt will be eligible for relief.

However, the agreement by the Paris Club of creditor governments to allow at least 50 per cent of debt relief for Poland will certain intensify pressure for other middle-income countries to gain the same benefits.

In fact, a Paris Club creditor to Poland itself, the Brazilian government was quick to latch on to the possible implications for its debt burden.

While creditors will find such pressure will become increasingly difficult to resist, significant movement on this front should probably not be expected soon.

Two years after the launch of the Brady initiative, Latin America presents a mixed picture. Mr Shaheed Hussein, World Bank vice-president for Latin America and the Caribbean, divides the continent into three camps.

- Countries with sustained economic adjustment during the 1980s: Chile, Mexico and Bolivia.
- Those attempting adjustment, with varying degrees of success, but having made more recent attempts at change: Brazil, Argentina, Colombia, Costa Rica, Jamaica, Venezuela, Ecuador and Paraguay.
- Countries with economies suffering from economic mismanagement or regional conflicts, but making some efforts at reform: Peru, Nicaragua, Honduras, El Salvador and Guyana.

Even allowing for the expected public optimism of World Bank officials, here is a more positive picture than could have been painted two years ago. This is in spite of the questions that remain over whether Brazil and Argentina, which are so important for the economic well-being of the continent as a whole, will be able to secure comprehensive debt agreements with banks.

However, neither the Brady initiative nor any possible successor, will eliminate failure and the initiative, in spite of *its flaws, has provided hope* where previously there was little.

Stephen Fidler

President Menem, left, acting out of urgent necessity. Cavallo, right, sees the need for quality and competitiveness

■ ARGENTINA: a convert to private enterprise, but . . .

Proceeding with caution

PRIVATISATION is no longer a dirty word in Argentina. A country still notorious for its inefficient state enterprises, a sprawling military-industrial complex and a dependent private sector is becoming a convert to private enterprise.

Almost everything has become fair game for privatisation. For example, the Buenos Aires council has privatised everything from street sweeping to the zoo and tax collection.

The federal government is planning to privatise over 70 companies, making Argentina's the largest privatisation programme in the developing world. By the end of the process, only essential services, such as education, will remain under direct government control.

President Carlos Menem is acting out of urgent necessity. He needs to shed loss-making companies and use privatisation receipts to balance the budget and thus stem inflation.

Since coming to office in 1989, Mr Menem has carried out seven privatisations, retiring over $7bn of foreign debt through debt for equity swaps. Mr Menem plans to retire a third of the $31bn commercial bank debt over the next two years.

Mr Menem's privatisation policy has been a typically Argentina affair. Brimming with enthusiasm, he rammed through privatisation after privatisation, without heeding calls for caution. Now that many predictions of disaster have come true, he has radically changed tack.

Not only did a vengeful Mr Menem fire Mr José Roberto Dromi, who as public works minister, was responsible for the fiasco, but he even abolished Mr Dromi's ministry.

Two of Mr Dromi's privatisations have come seriously unstuck. In February, the government suspended toll commissions covering 10,000 kilometres of federal highway because operators were charging unacceptably high tolls.

The sale of 85 per cent of Aerolineas Argentinas to a consortium led by Spain's Iberia is stalemated. It had offered $260m in cash, plus $2.01bn in a debt for equity swap and $683m in investments in the next five years.

However, it refused to pay more than a $130m downpayment, so the government did not transfer the shares. Both sides accuse each other of ignoring the contract. Furthermore, the consortium was riven with a bitter dispute over financing and control of the airline.

The government now realises that privatisation is a complex and time-consuming process. Mr Domingo Cavallo, the economy minister, and Mr Vittorio Orsi, planning secretary and the man in charge of privatisations, say they have learnt from Mr Dromi's mistakes.

Mr Orsi said: "Previously the emphasis was on reducing the foreign debt – which we still want – but we also emphasise the need to increase quality and competitiveness. In the gas, water and electricity privatisations, which are due next, we will provide regulatory norms that will make the entire [economic] system more competitive."

They are proceeding with great caution, even at the cost of delaying badly-needed privatisation receipts. Officials now accept that the next big sale – the privatisation of SEGBA, the greater Buenos Aires electricity company – will take at least a year to complete.

Where the previous privatisations where shrouded in secrecy and dogged by rumours of corruption, the new team is determined to make future sales transparent. A legion of auditors, consultants, bankers and politicians together with the World Bank and Inter-American Development Bank, will monitor each stage of the process.

The government accepts the importance of a well-written set of regulations. Iberia has won a controlling interest in a domestic air transport monoply and 50 per cent share of international traffic, as a result of the Byzantine negotiations to acquire Aerolineas.

However, Mr Cavallo is not immune from criticism. Businessmen complain bitterly that he abrogates contracts whenever he judges the outcome to be unacceptable. For example, Shell's local subsidiary was outraged last month when Mr Cavallo cancelled its bid for an oilfield. He claimed that a competitive sale was impossible because no other company had offered a bid.

An observer said: "Behaviour like this makes Argentina a laughing stock. How do they expect to attract foreign investors when they keep changing the rules to suit themselves?"

Mr Cavallo and Mr Orsi are meeting quiet but determined opposition to privatisation of companies owned by the armed forces. Of the 74 companies mentioned in a government privatisation list, no fewer than 30 are owned by the defence ministry.

John Barham,
Buenos Aires

MANAGEMENT

ABB Asea Brown Boveri

First the creation – but the fruits have still to be fully realised

William Dullforce examines the electrical engineering group's continuing struggle to digest its acquisitions

The testing time has come for Percy Barnevik and his management principles. Three and a half years after he set out to build the world's strongest and most profitable electrical engineering company from the merger between Sweden's Asea and Switzerland's Brown Boveri, the widely praised managerial skills of the bearded Swede are being stretched.

First, ABB is having to cope with a general economic downturn before it has been fully trimmed into shape. Second, Barnevik is having to devise fresh ways of maintaining dynamism and the drive for excellence among managers while the group is still digesting large acquisitions. Sales have shown a 50 per cent spurt over the past two years, while at the same time management responsibility has been vigorously decentralised.

ABB's creation in January 1988, and the speed with which Barnevik set about merging plants, trimming staff, cutting costs and grabbing market shares through takeovers triggered an unprecedented transformation in the world's electrical power industry.

Now, Barnevik considers, "the major long-term surviving groups have been formed". These he sees as including General Electric in the US, Siemens of Germany, the new alliance of Britain's GEC and France's Alsthom and the big Japanese groups.

For ABB "it is time to consolidate what we have achieved, particularly in Western Europe and North America". From the beginning Barnevik stated his intention of making ABB the lowest cost competitor in the business. He admits that General Electric is still better. "Maybe not in each product – they have a lot of other businesses which means they are not strictly comparable, but as a corporation GE is clearly more profitable than we are."

As a means of bringing ABB to full competitive strength, Barnevik still has complete faith in the matrix management structure he imposed on the newly created group in 1988. Activities are organised vertically by product into eight business segments and 59 business areas. Each segment is responsible globally for organising manufacturing units and product development.

Horizontally, the group is broken down into countries or regions. Under Barnevik, a 12-member executive board divides responsibility for the business segments, geographical regions and corporate operations.

However, the combination of decentralisation, under which managerial responsibility is pushed far down the line, and extremely rapid expansion, has produced a situation in which ABB now operates with some 1,300 separate companies and close to 5,000 profit centres, functioning as nearly as possible as "stand-alone" operations.

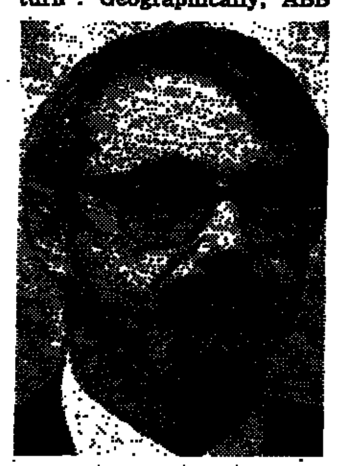
The executive board has a computerised information system which collects performance data from the profit centres monthly and is capable of aggregating or disaggregating the results so that they can be worked with. But Barnevik recognises the contradiction between the necessary central control and the desire to encourage entrepreneurial action at the lowest possible level in the group.

Last year he found he needed to reinforce management with extra staff at the business area level and at the same time to boost the business areas managers' responsibility for technical development. Some of these managers have been replaced.

He also launched, with the aid of outside consultants, a vast internal "customer focus" programme, to help "mobilise thousands of managers". Initiation of this programme was in itself an admission that top management had not so far succeeded in what Barnevik has always considered to be the biggest challenge in running a group of ABB's size – motivating middle and lower level managers and entrenching corporate values.

Another shortcoming to which he readily admits is the failure to reduce working capital quickly enough. The end-1990 balance sheet shows $7.3bn in inventories and $5.5bn in trade receivables. In fact, inventories have been brought down from 37 per cent of sales in 1987 to 27 per cent last year, while receivables have fallen from 28 to 21 per cent. But Barnevik wants inventories to come down to 22 per cent of sales and receivables to 17 per cent.

Finally, Barnevik is concerned with "managing the (worldwide economic) downturn". Geographically, ABB has so far felt the recession in North America, northern Europe, the UK and Australia.



Percy Barnevik: complete faith in matrix management

Sales of power, transport and environmental equipment have held up well so far, but in their case the recessional effect can be expected later.

Many of ABB's young managers have had no experience of running a company or profit centre in a recession. "I do not want ABB to be their learning school," Barnevik says. Months ago he disseminated the message that they should plan for lower production and staffing levels this year.

There is no panic at ABB's Zurich headquarters; Barnevik's programme has included continuing progress in the cutting away of over-capacity, the rationalisation of manufacturing by closure of plants, and the re-allocation of products and reduction in overheads.

ABB's consolidated net earnings remained flat at $590m in 1990 while group sales climbed by 30 per cent to $26.7bn. The net profit suffered from a jump of $194m in taxes and an estimated $100m negative impact from the integration of Combustion Engineering (CE), the US power and process automation group, which Barnevik bought in November 1989.

But operating earnings after depreciation advanced by 42 per cent to $1.79bn, which indicates that the effort to improve cost competitiveness and manufacturing efficiency is succeeding. Pre-tax earnings rose by 21 per cent to $1.1bn despite a $330m increase in net interest charges as a result of the increased borrowing to pay for acquisitions.

Most important, order books totalled $25.7bn at the end of December or 42 per cent higher than a year earlier. The balance sheet showed a healthy $5bn available in cash and marketable securities.

Barnevik is cautious about the outlook for 1991. He expects pre-tax earnings to reach "at least last year's level". In the longer term, he insists, continuing restructuring should put the group back on the track of sustained earnings growth.

A breakdown by product or business segment of the 1990 results throws up weaknesses which clearly need concentrated attention from management. Operating earnings in the industry segment, which covers mainly process engineering and automation equipment, fell by nearly 20 per cent despite a 70 per cent surge in sales. Admittedly, this segment was affected by the introduction of CE's large process automation business and Barnevik believes it is now set to return to better profitability.

A 61 per cent dive in the already low profit level of the transport segment – mostly railway equipment – is attributed to some unprofitable contracts but acquisitions and mergers have taken longer to digest than expected. However, Barnevik points to the 60 per cent surge in new orders last year.

Performance also varied in the three power segments which account for nearly half ABB's total sales. The transmission and distribution businesses posted profit increases of over 40 per cent while the power plant managed only a 10 per cent advance despite a 70 per cent climb in sales. Barnevik points to the jump in spending on research and development as a profit-inhibiting element in power plants.

Geographically, developments in North America, where ABB now generates 20 per cent of its turnover, will be as crucial as those in its European base. Barnevik still has to show that his opportunistic grab for CE in December 1989 – which was widely seen within the industry as over-stretching ABB's managerial capacity – will come good.

Barnevik admits that the $1.6bn price has imposed a financial burden on the group as a whole but he says CE is not losing money at the operating level and should be able to reach an acceptable level of return in another two years.

In spite of some bad contracts, CE had proved to be "not a hell of a lot worse than we thought but not better either". Barnevik has recouped $600m of the price through divestments. The remaining workforce of 30,000 has been cut by 5,000; headquarters staff is being reduced from 600 to 100; plants are being merged in the US and Canada; spending on research and development has been substantially increased; and the American managers, according to Barnevik, are making rapid progress in meeting ABB's objectives.

"You cannot become the first new entrant in a century into the US power field smoothly and nicely. You are bound to pay for that strategic value," Barnevik says.

With the integration of CE and the transmission and distribution business which it took over from Westinghouse, ABB has become "an American producer and exporter with a unique breadth" in the power field, Barnevik says. "The US power utilities like having a competitor in the field that really believes in power. Things are going right in North America," he adds.

In Europe, Barnevik believes, it will really be a question of survival of the fittest when the European Community moves to free cross-border competition in the power and transport fields some time after 1992. After three years the restructuring is well advanced and the profitability of ABB's European companies is far ahead of its newly acquired American units.

Last year ABB resolved a crisis in relations with the Finmeccanica group in Italy. Problems surfaced after ABB's acquisition of CE's boiler business, which the Italians saw as threatening their own production of boilers. The deal agreed in 1988 was rearranged to leave ABB with the transformer business. Finmeccanica and Ansaldo retain the boiler and turbine business and licence ABB turbines.

The outcome would have been better, had ABB been able to take a minority holding in the turbine and boiler operation, but "we have the transformers, 10,000 people and a $1.5bn annual business in Italy," Barnevik says.

He is upbeat about developments in Spain, where he was last year criticised for taking over Cenemesa, Conelec, Cademesa (CCC), the loss-making power plant and transmission group just after buying CE. ABB is now effectively merging the former businesses in Spain and Portugal of GE, Westinghouse and Brown Boveri.

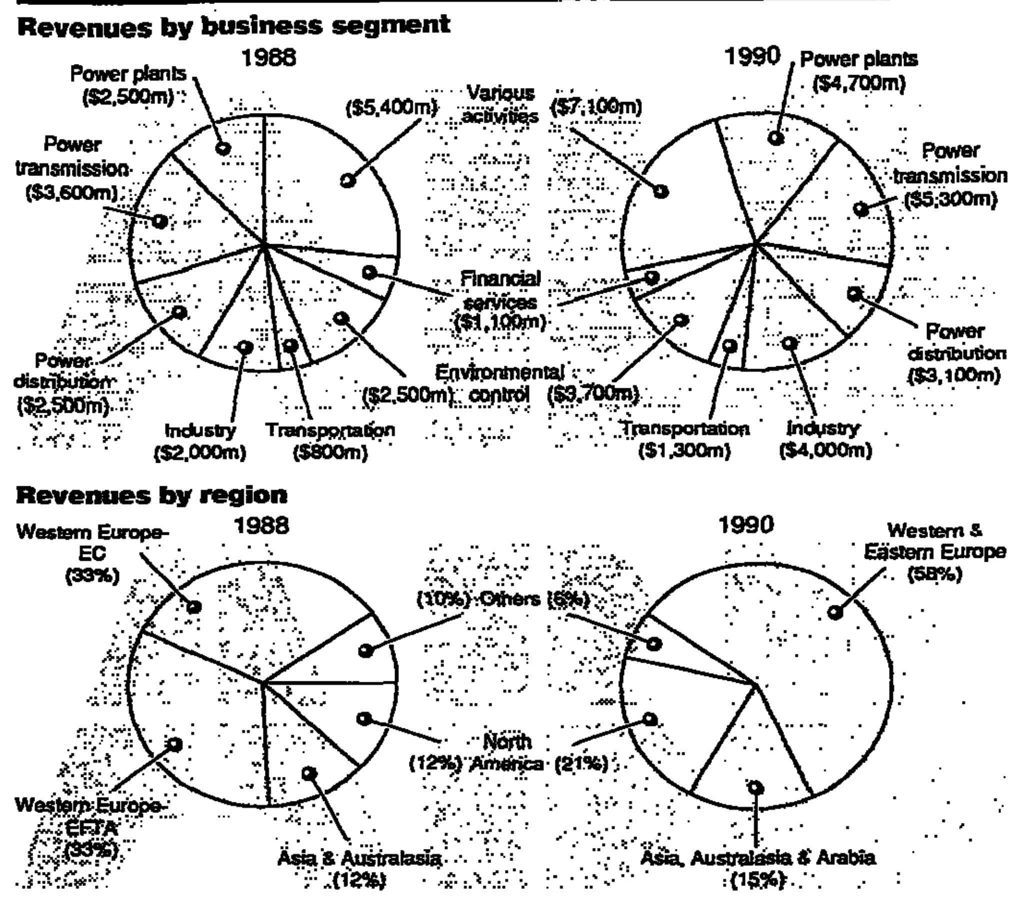
Again, it will take a couple of years for the Iberian operations to reach respectable profitability but Barnevik voices satisfaction with the speed at which plants are being closed and merged, new machinery is being moved in and working capital is being shrunk. Orders are "pouring in again," he says.

With restructuring already having a favourable effect on profits in its original bases in Germany, Switzerland and the Nordic countries, ABB has joined in the race for business in eastern Europe. Through takeover or joint venture it expects to have some 10,000 employees in east Germany by the end of 1991 and more than that in Poland, Czechoslovakia, Hungary and the Soviet Union. Barnevik sees the region as a long shot, in which ABB aims at "getting our technology and management practices in but restricting our exposure".

For the next 12 months Barnevik declares three managerial priorities:

- to "explode" the customer focus programme all the way down to grassroots level through hundreds of seminars, "so that we can succeed in improving operating quality".
- to manage the downturn in the world economy properly.
- to shrink the balance sheet "so that we can remove the trimmings, increase our financial freedom and really get the opportunities out of this group".

This is an unusually defensive list for the aggressive industrialist who shook up the industry for three years. Speed remains the essence of Barnevik's style but it is likely to be applied strictly inwards for the next couple of years.



COMMODITIES AND AGRICULTURE

Reports of Soviet strike losses boost nickel prices

By Kenneth Gooding, Mining Correspondent

NICKEL PRICES rose on the London Metal Exchange yesterday on reports from the Soviet Union suggesting that strikes at the Norilsk mining-refining complex in northern Siberia had halved output of the metal.

Analysts said the situation was potentially serious because Norilsk was a big exporter and the Soviet Union usually supplies between 70,000 and 100,000 tonnes of nickel to the west each year. It accounts for about 15 per cent of western world consumption.

Norilsk produces platinum group metals as by-products and Mr Andy Smith, analyst at Union Bank of Switzerland, suggested that any production problems would hit the rhodium market hardest.

Rhodium, an essential material for some anti-pollution catalysts, has more than doubled in price in the past year to US$5,350 a troy ounce. The Soviet share of world supply of rhodium is usually 40 per cent but there are indications its stocks are very low.

Norilsk recently told Falconbridge of Canada that it might have difficulty meeting contracted supplies of nickel matte (an intermediate product) to a smelter in Norway. "This tells us that all was not well before the strike," said Mr Ted Arnold, analyst with Merrill Lynch. He pointed out that western nickel stocks were low and demand was holding up well.

On the LME last night, cash nickel closed at $9,060 a tonne, up $122.50.

European hedge for NY coffee

By Barbara Durr in Chicago

NEW YORK'S Coffee, Sugar & Cocoa Exchange (CSCE) begins trading today in a contract providing traders, producing countries and European roasters with a hedging medium when dealing in arabica coffee for delivery in Europe.

The Euro-differential contract, as it is called, is based on the price differential between delivery of the CSCE coffee "C" futures contract in New York and Europe. This difference results from currency fluctuations, freight rates and supply and demand imbalances between the two locations.

Europe has seen growing demand for mild arabica coffee and the contract is described as a solution for those needing to hedge European coffee. A London Futures and Options Exchange arabica coffee contract has not done well since being launched last month, but the CSCE says that it designed its contract at the request of the European coffee trade. It will work like this: If a dealer brings coffee to a European warehouse for 90 cents a lb, he can hedge his purchase until he sells to a roaster in the CSCE coffee "C" futures market for, say, 95 cents a lb. But if he estimates the cash price in Europe at 98 cents, he could additionally sell Euro-differential futures for another three cents a lb.

If the European cash price then falls to 92 cents, and coffee "C" contract is still trading in the US at 95 cents, the coffee "C" futures hedge would not have done any good, but the dealer could still recoup the full 98 cents through his Euro-differential futures contract.

Euro-Differential prices will be quoted in cents a lb, Europe minus New York, plus $10. This is necessary because it is possible for European prices to fall below New York's resulting in negative prices and price quotation systems cannot process negative numbers.

The CSCE believes the new contract will bring more business to the "C" futures market, though it can be traded separately. To attract users, the exchange and its clearing house are waiving contract and clearing fees on the new contract for the first six months. Margins have been set at $200 per contract.

Using the Euro-differential contract together with the "C" contract allows for delivery to Antwerp, Belgium; Bremen and Hamburg, Germany; or Amsterdam/Rotterdam, Netherlands.

Sugar outlook 'depressing'

By David Blackwell

THE OUTLOOK for sugar prices is depressing in the near term with China staying out of the market, Mexico looking to reduce surplus purchases, India exporting and Thai production rising, according to E.D. & F. Man, the London broker. The same factors are also putting the premium for white sugar over raws under threat, Man says in its monthly sugar market report. White sugar supplies are not likely to slow down in the second quarter as usual.

Man now puts Thai production at 3.8m tonnes instead of an earlier forecast of 3.7m tonnes. Yesterday Thailand's Industry Ministry said cane production this year would reach a record 38m tonnes, which compares with a January forecast of 31m to 33m tonnes. However, dry weather has reduced the sugar content, and the country said it was expecting only 3.5m tonnes of sugar from the cane.

India cuts cotton estimate

By Kunal Bose in Calcutta

THE INDIAN cotton crop estimate for the 1990-91 season (September to August) has once again been revised downward to 11.5m bales (170 kg each) from the December forecast of 12.2m bales. Production totalled 13.35m bales last year

The substantial lowering of the crop estimate from the 15m bales forecast at the beginning of the season has led the Indian Cotton Advisory Board to recommend that New Delhi should not allow any further export of cotton beyond the 1.34m bales already sanctioned.

The various cotton trade associations in the country are unanimous in their opinion that the 1990-91 crop will be lower than the latest official estimate of 11.5m bales. In support of this view they point out that cotton arrivals between September and February 1991 were 9.59m bales, compared with 10.36m bales in the corresponding period of the previous season.

While the setback in production is attributed to unfavourable weather conditions, particularly unseasonal rains and a large-scale pest attack, the differences of opinion on the crop estimate has once again brought to the fore, much to the government's embarrassment, the lack of facilities to make a scientific assessment.

As the crop has turned out to be much smaller than originally forecast, prices of medium staple variety of cotton have gone up by 35 per cent and of long staple variety by 50 per cent since the beginning of the season. Traders say that there will be a further rise in prices, particularly of better varieties, in the coming weeks.

● Pakistan's next cotton harvest could yield 11m bales, up from this year's (September-April) record of 9.5m, Karachi Cotton Association (KCA) chairman Mr Akbarali Hashwani said, reports Reuters from Karachi. His estimates follow an accord between the country's four provinces last month on sharing water from the Indus river.

Quick growth seen for organic farming

By David Blackwell

ORGANIC FARMING in Europe is set to expand by 25 per cent a year over the next five years, according to the Economist Intelligence Unit.

In a special report, the EIU forecasts that by 1995 organic agriculture will occupy 776,000 hectares in the European Community, and have sales of £2.7bn, compared with 1990's 255,821 hectares with production worth £900m. Both past performance and present circumstances suggest that this rate of growth is "a conservative and realistic expectation."

Taking the growth rate on to the turn of the century would result in a land area of 2.36m hectares and a market of £8.2bn. But, says the EIU, "there are too many unquantifiable factors at work" to make that forecast with confidence.

The report asserts that greater output will lead to lower prices, encouraging consumption. But it points out that organic production now occupies less than 1 per cent of the EC's farmed land. "Organic agriculture could double, triple or quadruple without causing noticeable ripples in European agricultural circles."

Consumers who see conventional agriculture as environmental hooliganism are clamouring for organic produce. They are concerned by pesticide usage, nitrate levels in the water supply and factory farming of livestock, says the EIU.

But "there is no doubt that there are significant handicaps to the expansion of organic agriculture which are common to all European countries.

Farmers switching to organic farming face lower yields and accusations of crankiness. The distribution infrastructure is weak, with demand often in urban areas away from production, which is often by farmers rich in ethics but poor in finances.

Governments have given little assistance. "The chemical industry continues to hold most farmers in a tight grip, benefiting from the innate conservatism of the farming world," says the EIU. There is no doubt that organic produce is a distinctly minority taste, and organic farming is "only on the first rung of the European agricultural ladder".

But its appeal to Brussels is considerable, and legislation is proposed that will ensure that any produce sold as organic and of plant origin will be subject to EC standards and inspection. Producers will then be able to market their goods under an EC logo.

Organic Produce in Europe. *Special report No 2128 by William Tate. The Economist Intelligence Unit. 40 Duke Street, London W1A 1DW. £275. pp83.*

E Europe aluminium 'to dry up'

By Kenneth Gooding

ALUMINIUM EXPORTS to the west from the former eastern bloc countries, currently more than 500,000 tonnes and equivalent to the output of two and a half smelters, are likely to disappear entirely by the end of the decade, according to the Anthony Bird Associates consultancy group. The industry's long-term investment plans must take account of the need to replace this source of supply, it says in its 1991 Aluminium Annual Review.

Bird also estimates that 1.8m to 1.9m tonnes of today's primary aluminium production capacity in the west is obsolete, compared with the 600,000 to 1m tonnes that the industry itself says needs replacing.

The review shows the highest-cost smelters to be in Italy, where production costs (excluding interest and depreciation) are put at 78 cents a lb; followed by Germany and Spain (76 cents); and France and Norway (70 cents).

"The obsolescence problem makes it clear that a substantial amount of new investment needs to be undertaken over and above what is currently being planned," the review adds. Bird estimates that aluminium companies are planning new investment as if they needed to expand capacity at about 3.2 per cent a year.

The aluminium price required to stimulate the required investment in low-risk areas, such as Canada, is now about 77 cents a lb, Bird suggests, "though it eventually will rise to about 83 cents in today's money. Accordingly, this is our estimate of the likely level of aluminium prices in the long term. However, since there is so much extra investment to be encouraged, prices may be rather higher than this for some years". On the London Metal Exchange last night the price of aluminium for delivery in three months closed at $1,472.50 a tonne

Bird says aluminium consumption stagnated at 14.5m tonnes last year and will do the same again in 1991. World economic recovery will stimulate aluminium consumption growth of about 5 per cent a year in 1992 and 1993. Consumption growth over the 1990-1995 period will average 3.6 per cent a year. From 1995 to 2000 annual consumption growth should be about 4.1 per cent.

Primary aluminium supplies this year, including 14.35m tonnes of western production and 512,000 tonnes of former eastern bloc imports, will outrun demand so that stocks will rise by another 253,000 tonnes after a 203,000 tonnes increase in 1989. However, Bird predicts a 218,000 supply shortfall next year and suggests demand will be marginally ahead of supply each year for the rest of the decade.

"Aluminium Annual Review," £830 from Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, England.

Western World Aluminium Supply and Demand ('000 tonnes)

Year	Consumption	Capacity	Production
1987	13,471	13,666	12,637
1988	13,922	14,070	13,537
1989	14,452	14,407	14,098
1990	14,525	14,690	14,222
1991	14,577	15,234	14,350
1992	15,336	15,745	14,719
1993	16,086	16,511	15,538
1994	16,783	17,197	16,351
1995	17,328	17,922	16,965
1996	17,948	18,666	17,670
1997	18,779	19,650	18,601
1998	19,787	20,840	19,714
1999	20,764	21,971	20,749
2000	21,503	22,842	21,495
2001	22,036	23,437	22,025

Source: Anthony Bird Associates

Italian capacity may close

By Kenneth Gooding

ANALYSTS YESTERDAY welcomed the news that Alumix, the state-owned Italian aluminium producer, might close some capacity.

Western aluminium output is at record levels, stocks are increasing and prices weakening. However, the highest-cost capacity is now in Europe where there is a considerable level of state ownership, so analysts previously held out little hope of closures.

Mr Jon Bergtheil, analyst with the James Capel financial services group, said: "This is an important development because the market consensus has been that, although the European aluminium producers are losing money, they would not cut production".

Italian newspapers suggest that Alumix, part of the EFIM group, plans a restructuring involving 1,600 lay-offs among its 7,000 employees. The 31,000-tonne Marghera della Sava smelter is reported to be threatened.

Alumix produces 220,000 tonnes of aluminium a year and is said to have suffered a L218bn (£99m) loss before extraordinary items in 1990 compared with a L9bn profit the previous year.

Mr Bergtheil said: "The Italian move may be the first in a series".

Iceland pins hopes on Atlantal plant

Robert Taylor on a project that could add 4 per cent to GDP

MANY ICELANDERS believe their country's hopes for greater prosperity in the future lie in the completion of the so-called Atlantal project. The construction, at a cost of $1bn, of a 210,000-tonnes-a-year aluminium smelter at Keilisnes, 40 km (25 miles) south of Reykjavik, could certainly have a beneficial impact on the Icelandic economy. The country's independent National Economic Institute calculates that it would add an extra 4 per cent both to real disposable income and the gross domestic product by 1996.

At present a business consortium known as the Atlantal group is negotiating with the Icelandic government, the country's National Power company and local authorities about the project. The three foreign-owned companies involved are Alumax of the US; Granges, a division of Electrolux, the Swedish domestic appliance maker, and Hoogovens Aluminium BV, of the Netherlands.

But agreement on going ahead with the project – first discussed more than three years ago – is taking much longer than expected and the original time-table has been adjusted more than four times already. After a meeting in New York in early February it was agreed that a further six months were needed to secure the loans necessary to go ahead with the project.

Mr Jon Sigurdsson, Iceland's Industry Minister, believes that the negotiations can be completed by this May and final contracts exchanged by the autumn.

The story began in 1988 when four European companies – Austrian Metal, Alumined Beheer, a subsidiary of Hoogovens Steel, RTZ of the UK, and Pechiney, the French aluminium group, formed the first Atlantal consortium to build a 90,000-tonnes-a-year smelter close to the Swiss Aluminium Company's 88,000-tonne aluminium smelter at Straumsvik, ten miles from Reykjavik.

But early hopes were not fulfilled and the original partners were replaced by others. A breakthrough had been predicted last autumn but failed to materialise, though a memorandum of agreement was signed covering a number of tricky issues like taxation, power rates, environmental protection and general contract terms.

However, there is a mood of increasing exasperation in some Icelandic political circles at the prolonged delay over the Atlantal project. "The talks have run into some head wind," admits Mr Jon Sigurdsson, the Industry Minister. "We had hoped to have contracts completed by now but there is uncertainty over the financing of the smelter."

The consortium is trying to raise funds for the construction of the smelter from American banks but it is hardly a good moment to do so. "I remain very confident that the project will go ahead. It is well-conceived, viable and logical," says Mr Johannes Nordal, the Central Bank's governor, who has played a key role in negotiations as chairman of the National Power Company.

However, Mr Olafur Grimson, the finance minister, is sceptical about the intentions of the consortium to really proceed with the smelter's construction. He believes the time has come to see whether any other foreign companies might be interested in the project.

It would certainly make a huge impact on the Icelandic economy if it does eventually materialise. The smelter will need around 350 megawatts a year of hydro-electric power to meet its production capacity, which amounts to about 75 per cent of the country's total current energy consumption. This would involve the National Power Company having to construct two brand new power plants in order to meet the increased demand and these are expected to take three years to complete.

However, until the Atlantal group project is finalised, work cannot really begin on the additional planned power plants that would cost an estimated $530m. We are not willing to sign a deal to construct them until we have firm commitments on the smelter. We simply can't take the risk," admits Mr Halldor Jonatansson, general manager of the National Power company, although he remains convinced that the project will go ahead eventually.

His optimism may be well-placed. Even if the existing Atlantal project has to be modified, Iceland's future as a major aluminium producer cannot be in any doubt.

WORLD COMMODITIES PRICES

MARKET REPORT

Silver fell on the London bullion market, with weak fundamentals reasserting themselves after two days of advances. Gold eased in routine, mainly professional, trading, dealers said. The market is likely to continue to move in its current narrow $355 to $360 a troy ounce range today barring any significant fresh news. It remains capped by stiff overhead resistance at $360. On the LME copper prices continued this week's slow decline in sterling terms. Routine movements were mostly influenced by currency considerations, although sentiment was underpinned by overnight news of Cerro's two month closure and force majeure at its Sauget refinery. Lead edged ahead. Traders said the market could be underpinned today by late news yesterday that Curragh Resources is not optimistic a strike can be avoided at its Faro, Yukon, mine. The same news gave a late boost to zinc. London's robusta coffee closed near the day's lows on trade selling in thin conditions. "It looks as if the least line of resistance is on the downside. A lot of people seem to be long of the market and have given up waiting for the next rally," one dealer said.

Compiled from Reuters

London Markets

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		
Dubai	$14.50-4.65w	+.10
Brent Blend (dated)	$19.10-9.20	+.425
Brent Blend (May)	$19.40-9.50	+.325
W.T.I. (1 pm est)	$19.73-9.77u	+.225
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$226-229	-5
Gas Oil	$176-179	+5
Heavy Fuel Oil	$69-70	
Naphtha	$161-163	+1.5
Petroleum Argus Estimates		
Other		
Gold (per troy oz)♠	$358.05	-0.30
Silver (per troy oz)♠	408.50c	-3.00
Platinum (per troy oz)	$401.25	
Palladium (per troy oz)	$94.00	-0.45
Aluminium (free market)	1455	+10
Copper (US Producer)	112½c	-¼
Lead (US Producer)	35½c	
Nickel (free market)	414c	-3
Tin (Kuala Lumpur market)	14.81r	
Tin (New York)	259c	
Zinc (US Prime Western)	63c	
Cattle (live weight)†	112.39p	+2.50*
Sheep (dead weight)†	205.15p	+12.0*
Pigs (live weight)†	87.70p	-1.08*
London daily sugar (raw)	$225.4q	+0.5
London daily sugar (white)	$300.5q	+0.5
Tate and Lyle export price	£236.0	+0.5
Barley (English feed)	£122.5w	
Maize (US No. 3 yellow)	£175.5	
Wheat (US Dark Northern)	£97.0	+2.5
Rubber (May)♥	51.25p	-0.50
Rubber (Jun)♥	52.00p	-0.50
Rubber (KL RSS No 1 Apr)	227.0m	-0.5
Coconut oil (Philippines)§	$385.0u	-10.0
Palm Oil (Malaysian)§	$327.5y	
Copra (Philippines)§	$227.5	
Soyabeans (US)	£153.0	-1.0
Cotton "A" index	82.95c	-0.45
Wooltops (64s Super)	330p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul/Sep. t-Jun. w-Apr. u-May. v-Apr/Jun. x-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♠ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	203.20	197.80	202.20 199.00
Aug	204.80	199.80	204.00 199.80
Oct	202.00	195.80	202.00 197.00
Dec	199.00	193.80	193.00 191.20
Mar	197.00	189.40	194.80 192.00
White	**Close**	**Previous**	**High/Low**
May	299.5	297.2	299.2 297.0
Aug	298.5	291.5	295.0 292.0
Oct	282.5	284.5	285.5 283.0
Dec	268.0		281.0
Mar	268.0		265.0 263.6

Turnover: Raw 580 (653) lots of 50 tonnes. White 895 (997). Paris- White (FFr per tonne): May 1680, Aug 1677, Oct 1628.

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
May	18.30	18.11	18.39 18.05
Jun	18.00	17.92	18.10 17.98
Jul	17.95	17.84	17.96 17.81
Aug	17.95	17.95	17.84
Sep	17.93		17.93
Oct	17.93		17.90
IPE Index	18.07	17.86	

Turnover 12920 (7003)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Apr	174.00	165.50	174.25
May	167.00	163.00	167.00 162.00
Jun	163.00	162.00	164.25 161.00
Jul	163.50	162.50	164.00 161.50
Aug	166.00	164.00	165.50 163.00
Sep	168.50	166.50	165.00 165.00
Oct	168.00	168.75	169.50 166.50
Nov	170.00	170.50	170.00 169.50

Turnover 6901 (4003) lots of 100 tonnes

FRUIT AND VEGETABLES

The first crisp new season Cox's apples at 65-70p a lb from New Zealand are in the shops this week, reports the FFVIB. Oranges at 5-28p each (5-28p) are abundant along with grapefruit at 10-15p each (10-15p) and lemons at 15-25p each (15-25p). Supplies of homegrown vegetables are excellent this week, with potatoes - whites at 8-15p a lb, (8-15p) reds 12-15p a lb (12-15p). English and Dutch cucumbers at 65-95p each (65-95p). Chinese leaves at 65p-£1.20 a lb, (65p-£1.20), along with tomatoes at 80-85p a lb (80-85p) from the Canaries are a good salad choice.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
May	663	665	665 659
Jul	686	690	689 685
Sep	712	711	712 707
Dec	735	738	739 734
Mar	762	763	764 760
May	779	780	782 777
Jul	798	799	799 797

Turnover: 4628 (5216) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Apr 3 859.49 (882.29) 10 day average for Apr 4 871.52 (873.05)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
May	594	605	603 592
Jul	606	616	617 605
Sep	620	632	631 618
Nov	634	644	644 633
Jan	649	656	658 649
Mar	668	670	669

Turnover: 3148 (5053) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Apr 3: Comp. daily 73.12 (72.80). 15 day average 72.83 (72.47)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	118.0	112.0	115.0 111.0
May	145.5	141.5	148.0 141.0
Nov	130.0	128.0	130.0 128.0

Turnover 207 (71) lots of 40 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Feb	130.00	130.00	

Turnover 25 (110) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Apr	1464	1484	1465 1460
May	1400	1383	1400 1394
Jul	1140	1129	1140 1135
Oct	1233	1228	1240
Jan	1270	1255	1270
BFI	1597	1596	

Turnover 201 (137)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
May	138.70	136.90	138.70 136.65
Jul	140.70	138.15	140.70 139.45
Sep	111.15		111.10
Nov	114.25	114.15	114.25
Barley	**Close**	**Previous**	**High/Low**
May	120.95	118.65	119.75
Nov	111.70		111.70

Turnover: Wheat 323 (343), Barley 17 (23). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	115.0		114.0
Jul	114.0	114.0	114.0
Aug	114.5		114.0
Sep	115.0	114.0	114.0
Oct	115.0	114.0	114.0
Nov	115.0		114.0

Turnover: 57 (63) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,268 lots
Cash	1443-4	1448-50	1465/1452	1450-2		
3 months	1472-3	1478-9	1490/1469	1478-80	1474-5	63,486 lots
Copper, Grade A (£ per tonne)						Total daily turnover 24,501 lots
Cash	1370-2	1365.5-6.5	1383/1361	1382-3		
3 months	1383-4	1371.5-2	1376/1363	1373-4	1383-4	103,289 lots
Lead (£ per tonne)						Total daily turnover 3,171 lots
Cash	349-50	347-8		348-9		
3 months	361-2	360-1	363/361	360-1	363-4	14,030 lots
Nickel ($ per tonne)						Total daily turnover 2,297 lots
Cash	9050-70	8925-50		9000-25		
3 months	9050-75	8925-50	9100/8975	8925-50	9060-75	9,037 lots
Tin ($ per tonne)						Total daily turnover 913 lots
Cash	5485-8	5470-5	5470	5470-5		
3 months	5560-5	5570-5	5570/5564	5560-5	5565-75	5,835 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,262 lots
Cash	1227-32	1225-33	1245/1230	1230-2		
3 months	1194-5	1193-5	1203/1190	1189-200	1194-5	24,082 lots

LME Closing £/$ rate: SPOT: 1.7645 3 months: 1.7559 6 months: 1.7383 9 months: 1.7236

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	358.00-358.50	
Opening	358.50-359.00	
Morning fix	358.10	202.803
Afternoon fix	355.40	201.915
Day's high	359.00-359.40	
Day's low	357.80-358.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.39	6 months	5.23
2 months	5.39	12 months	5.20
3 months	5.29		

Silver fix	p/fine oz	US cts equiv
Spot	229.05	405.75
3 months	235.85	411.85
6 months	242.30	418.65
12 months	254.40	432.55

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	359.00-360.00	202.25-202.75
Maple leaf	370.00-371.00	208.50-209.00
New Sovereign	87.00-88.00	49.00-49.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	May	Apr	May
1450	111	134	3	9
1460	33	64	34	38
1500	4	23	93	95
Copper (Grade A)	**Calls**		**Puts**	
2350	98	105	15	66
2450	51	60	46	112
2550	19	29	125	180
Coffee	**May**	**Jul**	**May**	**Jul**
550	47	71	1	16
600	11	41	15	36
650	1	63	65	68
Cocoa	**May**	**Jul**	**May**	**Jul**
650	22	17	9	22
700	4	27	41	40
750	1	13	87	76
Brent Crude	**May**	**Jun**	**May**	**Jun**
1800	45			
1900				
2000				

New York

GOLD 100 troy oz.; $/troy oz.

	Latest	Previous	High/Low	
Apr	358.5	360.3	360.3	359.0
Jun	361.7	362.2	362.7	361.3
Aug	364.8	365.1	365.2	364.4
Oct	368.3	368.1	368.5	
Dec	371.6	371.8	371.7	370.9
Feb	374.7	375.0	374.7	0

PLATINUM 50 troy oz; $/troy oz.

	Latest	Previous	High/Low	
Apr	401.0	400.2	401.5	401.0
Jul	407.0	405.6	407.5	404.5
Oct	410.0	409.8	410.0	409.8
Jan	414.5	412.7	415.0	412.0

SILVER 5,000 troy oz; cents/troy oz.

	Latest	Previous	High/Low	
Apr	407.0	409.2	411.0	405.5
Jul	412.0	413.1	416.5	410.5
Sep	416.0	416.1	416.5	416.0
Dec	421.0	420.4	425.0	420.0
Mar	428.0	433.3	435.0	433.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Latest	Previous	High/Low	
Apr	109.90	108.70	109.90	108.00
May	110.00	109.00	110.00	108.00
Jun	108.80	[illegible]	[illegible]	[illegible]
Jul	108.80	108.05	108.90	108.50
Sep	108.10	107.40	108.20	106.90
Dec	105.20	104.70	105.45	104.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	19.61	19.47	19.66	19.56
Jun	19.53	19.39	19.76	19.45
Jul	19.53	19.30	19.60	19.35
Aug	19.45	19.25	19.47	19.35
Oct	19.39	19.22	19.40	19.24
Nov	19.35	19.24	19.37	19.27

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	5420	5328	5460	5370
Jun	5305	5210	5335	5235
Jul	5295	5210	5325	5225
Dec	5810	5693	5810	5705
Jan	5770	5708	5770	5726

COCOA 10 tonnes;$/tonnes

	Latest	Previous	High/Low	
May	1112	1100	1118	1103
Jul	1143	1132	1147	1136
Sep	1174	1168	1176	1169
Dec	1212	1204	1212	1203
Mar	1241	1233	1245	1241
May	1264	1268	1265	1264
Jul	1290	1282	1290	1286

COFFEE "C" 37,500lbs; cents/lbs

	Latest	Previous	High/Low	
May	92.90	94.05	93.75	92.75
Jul	95.10	96.20	95.85	95.00
Sep	97.60	98.00	97.70	97.00
Dec	99.80	100.50	100.15	99.60

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Latest	Previous	High/Low	
May	9.06	9.02	9.16	8.92
Jul	8.96	8.97	9.10	8.91
Oct	8.66	8.66	8.86	8.62
Mar	8.69	8.66	8.79	8.62
May	8.70	8.66	8.76	8.69
Jul	8.70	8.71	0	0

COTTON 50,000; cents/lbs

	Latest	Previous	High/Low	
May	83.45	83.08	83.53	82.95
Jul	83.65	83.25	83.85	83.30
Oct	73.40	73.12	73.40	73.00
Dec	69.34	69.15	69.34	68.97
Mar	70.00	69.80	70.00	69.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Latest	Previous	High/Low	
May	118.00	114.40	118.00	114.00
Jul	116.25	114.50	116.25	114.25
Sep	116.50	114.90	116.60	115.75

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 4	Apr 3	mnth ago	yr ago
1731.7	1733.4	1705.5	1916.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 2	Apr 1	mnth ago	yr ago
Spot	125.24	125.42	122.67	135.25
Futures	129.59	129.51	127.99	133.93

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Latest	Previous	High/Low	
May	584/6	587/0	591/0	584/0
Jul	597/0	601/2	604/0	596/2
Aug	602/0	606/2	608/2	601/6
Sep	607/0	611/2	613/2	606/4
Nov	617/4	623/0	624/0	616/6
Jan	628/0	633/6	634/4	628/0
Mar	638/4	644/0	644/4	639/4
Jul	656/0	656/0	657/0	656/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Latest	Previous	High/Low	
May	21.38	21.61	21.68	21.34
Jul	21.73	21.92	22.02	21.67
Aug	22.07	22.20	22.28	21.99
Sep	22.17	22.32	22.37	22.10
Oct	22.45	22.60	22.55	22.45
Dec	22.95	22.87	0	0

SOYABEAN MEAL 100 tons; $/ton

	Latest	Previous	High/Low	
May	170.9	172.6	172.9	170.9
Jul	176.4	178.1	178.5	177.3
Oct	183.1	184.4	184.5	183.0
Dec	184.3	185.5	186.5	184.3

MAIZE 5,000 bu min; cents/56lb bushel

	Latest	Previous	High/Low	
May	256/2	257/0	257/2	256/0
Jul	263/6	265/0	264/6	263/2
Sep	265/4	268/4	269/4	265/4
Dec	268/2	269/0	269/4	268/0
Mar	276/6	277/4	277/6	276/0
May	279/2	278/0	277/2	278/2
Jul	279/6	281/4	280/0	279/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Latest	Previous	High/Low	
May	283/6	288/2	289/4	283/6
Jul	289/4	289/0	290/4	289/2
Sep	302/0	306/0	306/2	302/0
Dec	315/6	321/6	320/0	315/6
Mar	330/0	334/4	331/0	330/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Latest	Previous	High/Low	
Apr	82.27	82.32	82.52	82.12
Jun	77.90	78.05	78.05	77.65
Aug	75.25	75.12	75.30	75.02
Oct	76.57	76.80	76.65	76.40
Dec	76.65	76.75	76.75	76.45
Feb	76.40	76.32	76.47	76.35
Apr	76.76	76.50	76.75	0

LIVE HOGS 30,000 lb; cents/lb

	Latest	Previous	High/Low	
Apr	52.27	53.30	53.10	52.27
Jun	56.75	57.67	57.65	56.85
Jul	55.33	57.12	57.20	56.35
Aug	52.37	54.50	54.50	53.45
Oct	48.70	48.85	49.05	48.70
Dec	48.00	48.10	48.30	48.00
Feb	46.25	46.05	46.30	46.00

PORK BELLIES 40,000 lbs; cents/lb

	Latest	Previous	High/Low	
May	65.40	67.25	67.70	65.25
Jul	63.75	65.75	66.20	63.75
Aug	61.30	63.30	63.55	61.30
Feb	60.30	60.10	60.10	59.30
Mar	59.80	59.10	59.70	59.80

LONDON STOCK EXCHANGE

Yet another new peak for the Footsie

ATTEMPTS to shrug off Wall Street's influence proved unsuccessful in the UK stock market yesterday and an early advance of 25 points to a new intra-day peak on the FT-SE Index was largely eliminated by the close. However, the net gain of 5.4 on the day put the Footsie at a new closing high of 2,554.5.

The less dynamic mood in equities was signalled in London's derivatives markets where the Footsie future contract gave back much of an early gain in its premium over cash. Currency factors gave some support to equities at mid-session as sterling steadied after the policy meeting at the West German Bundesbank produced no change in German interest rates. But international blue chips were held back by Wall Street's loss of 18 Dow points overnight as well as by the uncertainty over the next move in the US currency.

Early deals saw the UK market slightly easier until yet again the futures market came in strong when it opened at 8.30pm with a sharp gain in the premium on the Footsie June contract.

Marketmakers were forced into the market to buy stock and a number of basket trades, in which futures and shares are traded in tandem, brought a swift turnaround in share prices. The Footsie Index moved from a 4 point loss to a 25.6 gain by mid-morning.

Gains were soon trimmed, but the investment confidence was then buoyed by the absence of any change in German rates, which encouraged hopes that UK base rates can be cut again soon, for the fourth time this year.

However, equities soon turned downwards as the premium on the Footsie future melted away and shares were further discouraged when Wall Street made an unimpressive start to its new trading session; the Dow was a shade down when the London market closed for the day.

Seaq volume slipped to 534m shares from the 704.1m traded in the previous session, and yesterday's total again took in a substantial proportion of intra-market deals. However, more detailed data from the London Stock Exchange shows that retail interest in equities has remained high, totalling £1.2bn on Tuesday, the first trading day after the Easter break.

The market absorbed two further modest rights issues, once again from the much-battered construction sector, where Costain Group called for £77m and Ibstock Johnsen for £44m. Further cash calls are expected, and institutions still appear keen to take up stock by such funding.

Among the international sector, oil stocks continued to under-perform the market, although trading volumes were high. ICI remained depressed by the chairman's reference to lack of resilience in some areas of business, and Glaxo suffered from its association with Wall Street trends.

On the brighter side, the retail sector showed several firm features as equity analysts began to take a favourable view of prospects for a recovery in consumer spending.

The strength of the equity market since the Easter holiday has taken the FT-SE Index into a key testing area, according to Mr Matthew Bounds, technical analyst at Lehman Brothers. He warns that a Footsie close above 2,530 would point to a medium to longer term advance, but nevertheless there is a risk that the index could retreat from current levels. If the market continues to advance, Mr Bounds sees further significant testing points at FT-SE 2,700, 2,840 and 3,000.

Account Dealing Dates

*First Dealings:	Mar 11	Apr 2	Apr 15
Option Declarations:	Mar 27	Apr 11	Apr 25
Last Dealings:	Mar 28	Apr 12	Apr 26
Account Day:	Apr 8	Apr 22	May 7

*New-time dealings may take place from 9.30 am two business days earlier.

Kingfisher back on buy lists

RETAIL group Kingfisher put in a good performance as two brokers recommended buying the stock in the wake of last week's final results.

Kleinwort Benson returned the company to its buy list, saying that 1992 onwards would see annual growth of more than 15 per cent. The shares attained a new high yesterday of 473p with an advance of 11, and the Kleinwort chart analyst suggested that the price could go higher.

S.G. Warburg, broker to the company, also recommended buying the stock on the basis of recovery prospects at B & Q, *the do-it-yourself chain, and* Comet, which sells white goods.

The three stocks the Warburg DCF analysis identified as "excellent long-term value" were Kingfisher, Argos, up 5 at 292p, and W.H. Smith, 10 higher at 285p. Smith's two-day improvement is 21, helped by a recommendation earlier this week from BZW and by hopes that the Net Book Agreement, which fixes book prices, will be abandoned. This could enable large retailers to gain market share by discounting.

BA moves lower

A prediction that British Airways would do no better than break even in the year to March 1992 caused turbulence yesterday which sent the stock down 8 to 163p. The market *expects profits (yet to be* announced) to be lower for the year just ended since the chairman warned last November that a positive second-half contribution was not anticipated.

Analysts have assumed losses could result from the increase in fuel charges combined with other factors resulting from the Gulf war.

Thereafter, the group's fortunes had been expected to improve, but yesterday BZW wiped out its 1992 profits estimate of £150m and inserted a new figure of zero. It also reduced 1991 expectations to *£120m from £200m. BZW* thought air traffic was recovering too slowly to be sure of the final dividend and anticipated a cut. At the same time, "BA represents fair value against other airline stocks", the investment house said.

International stocks showed none of the hesitation of the rest of the market in following Wall Street lower in early trading. The trend was underpinned by New York's lacklustre opening yesterday. The worst performers were Glaxo, down 15 to 1124p, ICI, 9 off at 1052p, and Reuters, 3 easier at 883p.

Hanson ended 1¼ lower at 234¼p, having touched 232p after BZW's sell note inhibited buyers. The broker said good profits from investment gains would be hard to repeat. Turnover was a good 10m.

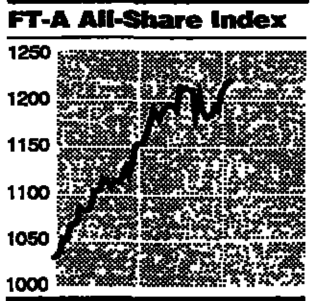
ADT was once again depressed by litigation from its 28 per cent stakeholder Laidlaw, of Canada. The shares lost 5 to 82p, making a three-day fall of 12.

An early buy order for Reed International left the market short of stock. The rise of 10 to 458p (the peak was 470p) was helped by the knowledge that the company was making a presentation to Hoare Govett yesterday afternoon.

Advertising group WPP jumped 33 to 189p ahead of a long-awaited announcement that it had agreed a financial *restructuring with its lenders.*

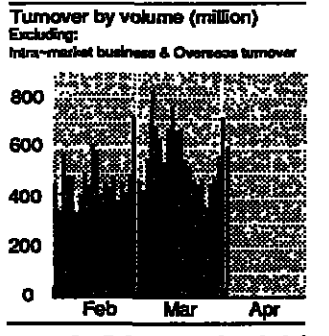
The latest cash calls from the building materials and construction areas came from Costain Group, the construction and mining company, and

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Ibstock Johnsen, the brick manufacturer. Both rights issues, £77m from Costain, and £44m from Ibstock, came as no great surprise to the market.

The lack of surprise was illustrated by the market's response; an initial reaction to mark down shares in both companies was followed by a fairly rapid recovery. Costain, cut to 211p at first, closed a net 5 higher at 220p following keen two-way trade of 4.3m, while Ibstock ended the session unchanged at 114p, after 110p.

Costain accompanied the cash call with results showing profits almost eliminated at £5.5m, after allowing for a £25m land write-down, compared with last year's profits of £57.7m. However, the main*tained dividend and promise of* the same for this year propped up the shares.

Beazer, after a bout of American buying, closed 12 higher at 183p, but Blue Circle, due to report preliminary figures on April 18, moved against the market and closed 4 off at 273p, as did BPB, the same amount down at 229p.

Burmah Castrol emerged from the pack in the oil sector, advancing 14 to 606p as the market picked up on the stock's recent underperformance and the beneficial effects to the group of the recent weakening in oil prices.

British Gas attracted heavy support and settled a further 6 better at 253p on 11m.

Enterprise remained under pressure and closed 8 lower at 567p after more stories that the oil group may be about to launch a big rights issue, or that Elf, the French state-owned oil group, could be about to sell its 25 per cent stake in the company.

Lloyds Bank advanced 8 to 359p on 2.6m after Hoare Govett pinpointed the bank's attractions in a sector Hoare suggested could be at the bottom of a new trading range. It was also said the shares were catching up after a period of relative underperformance.

Midland gained 6 to 212p on turnover of 6m, easily the biggest turnover in the sector.

Siebe rose in the wake of a visit by analysts on Wednesday. The group should benefit from the dollar's strong recovery, they said, and the shares have rallied appreciably from last year's low of 245p, which marked Siebe's largest acquisition, that of US group Foxboro. Siebe gained 8 more at 443p.

Rolls-Royce began promisingly, reaching 170p in brisk turnover, before retreating with the wider market to close only 2 higher on the session at 167p. In contrast, sell recom*mendations in the wake of the* recent annual results ensured *dullness in Hawker Siddeley,* down 14 at 569p.

Rentokil recorded heavy volume as 5.78m shares were placed at a slight discount to the price in the market.

S.G. Warburg was believed to have bought the stock at 282p and sold at 265¾p. The stock came from KG Anker-Petersen Will Trust, of Denmark, which reduced its shareholding in the UK group to 5.45 per cent. Rentokil closed 2 off at 272p.

There was no stopping food retailing leaders in the wake of Tesco's better than expected figures on Wednesday. Tesco climbed 12 to 285p, J. Sainsbury moved ahead 11 to 374p and Argyll firmed 4 to 300p. Tesco's turnover was particularly high at 5.9m.

London Merchant Securities, the property and investment group, sold 7m shares in First Leisure at 248p, said to have been through Cazenove to institutions. LMS thereby cut its stake from 29.8 per cent to 25.3 per cent and First Leisure's shares receded 8 to 247p.

Positive comment from analysts on Friendly Hotels' final figures helped the shares climb 24 to 308p.

Vinten, which makes avionics and broadcast equipment, rose 9 to 223p. Commenting on the recent results, which were ahead of expectations, County NatWest thought long-term prospects for the company were not reflected in the price.

A bid approach, which could lead to an offer in the region of 100p a share, pushed Robertson Group to 98p before a close of 16 higher on the day at 91p.

■ Other Market statistics, including the FT-Actuaries share index, Page 21

FINANCIAL TIMES STOCK INDICES

	Apr 4	Apr 3	Apr 2	Mar 28	Mar 27	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.65	85.35	85.09	85.03	84.80	77.84	85.98 (18/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.77	94.70	94.60	94.53	94.45	86.63	94.77 (4/4)	90.09 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2007.2	2014.2	1995.9	1959.9	1965.9	1758.3	2014.2 (3/4)	1609.3 (16/1)	2014.2 (3/4/91)	49.4 (26/6/40)
Gold Mines	136.5	137.4	138.2	138.4	139.0	258.0	179.7 (14/1)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2524.5	2519.1	2488.3	2458.5	2454.8	2239.5	2524.5 (4/4)	2054.8 (16/1)	2524.5 (4/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1163.53	1164.84	1146.11	1137.03	1136.83	-	1146.11 (2/4)	938.62 (16/1)	1146.11 (2/4/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.82	4.80	4.86	4.94	4.91	5.05				
●Earning Yld %(full)	8.72	8.69	8.80	8.94	8.90	12.06				
●P/E Ratio(Net)(*)	14.13	14.18	14.00	13.78	13.84	10.01				
SEAQ Bargains 4.45pm	32,934	38,978	39,408	44,540	42,346	34,007				
Equity Turnover(£m)†	-	1197.13	1183.74	1028.09	983.52	1142.09				
Equity Bargains†	-	58,911	45,959	46,893	43,811	38,688				
Shares Traded (ml)†	-	601.8	715.7	566.2	482.8	464.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. [illegible]

Ordinary Share Index, Hourly changes — Day's High 2028.2 — Day's Low 2006.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2010.4	2018.0	2021.2	2027.2	2021.1	2019.8	2018.3	2010.4	2006.8

FT-SE 100, Hourly changes — Day's High 2544.7 — Day's Low 2515.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2515.1	2526.8	2532.5	2544.2	2535.4	2533.9	2533.7	2526.6	2521.8

FT-SE Eurotrack 200, hourly changes — Day's High 1165.70 — Day's Low 1162.40

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1165.25	1165.06	1167.63	1164.23	1165.29	1164.64	1163.06

GILT EDGED ACTIVITY

Indices*	Apr 3	Apr 2
Gilt Edged Bargains	91.3	80.8
5-Day average	84.9	85.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			
Blue Circle	738	273	-4
Boots	1,400	372	+7
Bowater	306	621	+4
Brit. Aerospace	1,189	646	-2
British Airways	4,800	165	-5
British Gas	11,000	253	+6
British Land	419	305	+5
BP	8,300	331	
British Steel	4,880	144	-3
British Telecom	8,100	361½	+2½
Bunzl	3,680	99	
Burmah Castrol	911	606	+14
Burton	2,580	104½	-½
Cable & Wire.	4,900	524	+4
Cadburys	1,400	394	-4
Calor Group	208	228	
Carlton Comms.	908	475	
Coats Viyella	1,500	162	-1
Coms. Union	485	533	+5
Cookson	1,700	127½	+1½
Courtaulds	1,408	417	-1
[illegible]			
Hanson Warrants	280	44½	-1½
Harrisons Crosfield	1,200	186	-4
Hawker Sidd.	387	569	-14
Hillsdown	5,000	260	+10
IMI	784	247	
ICI	1,000	1052	-9
Inchcape	913	345	-1
Kingfisher	1,700	473	+11
Ladbroke	3,000	284	-2
Land Securities	1,000	547	
Laporte	278	671	+4
Legal & General	778	460	
Lloyds Abbey	897	427	-2
Lloyds Bank	2,800	360	+8
LASMO	1,800	347	
London Elect.	1,008	182	+4
Lonrho	2,100	260	-2
Lucas	1,409	164	-4
MB Caradon	297	207	-1
MEPC	591	537	+3
Manpower	1,100	72½	
[illegible]			
Rank Org.	682	747	-1
Reckitt & Colman	258	1502	+18
Redland	709	620	+4
Reed Intl.	2,100	458	+10
Reg. Elect. Pkg Uts	3	£1938	+43
Rentokil	11,000	272	-2
Reuters	1,500	883	-3
Rolls Royce	6,500	167	+2
Rothmans	485	885	+1
Ryl Bk Scotland	945	194	-2
Royal Insurance	537	483	-6
Saatchi	9,900	18	+½
Sainsbury	2,000	374	+11
Scottish & New.	2,700	380	+2
Sears	1,760	94	+1
Sedgwick	3,800	286	
Seaboard	487	180	+4
Severn Trent Water	1,250	282	
Shell Transport	3,800	494	+1
Siebe	1,200	443	+6
Slough Ests	599	245	
[illegible]			
Thorn EMI	616	747	+3
Trafalgar House	4,200	288	-10
Trusthouse Forte	1,500	276	-4
Ultramar	685	323	-5
Unigate	894	314	+4
Unilever	1,800	760	-2
United Biscuits	1,700	389	-3
Utd. Newspapers	646	373	+1
Water Package Uts.	0	£3025	+7
Wellcome	1,800	544	+6
Welsh Water	823	346	+1
Wessex Water	395	376	+5
Whitbread 'A'	1,800	476	-6
Wiggins Teape	1,500	233	
Williams Hldgs.	989	295	+2
Willis Corroon	1,100	324	+9
Wimpey	118	218	+1
Yorkshire Elect.	1,000	207	+3
Yorkshire Water	331	322	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Thursday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

THE STOCK Index futures market returned to leadership of the underlying equity sector yesterday, taking share prices sharply upwards in early trading but then cutting them back equally sharply. Futures traders commented, however, that genuine retail interest in derivatives was light yesterday and the market was driven by independent traders.

The futures markets opened with the Footsie June future showing a premium of around 45 points against fair value compared with the cash market. There was a rush of basket trades, with several leading UK securities houses trading between futures and cash, and share prices rose sharply during the first half of the session.

However, the bounce went out of the market fairly quickly and there were sellers of the June contract at just below the day's peak of 2,596.

"Both futures and cash markets were easily turned down," commented one leading trader. Sentiment was further dampened when Wall Street made a slow start to the new session and the premium on the June contract quickly shrank to 30 against fair value. A slight recovery was made in late trading as Wall Street rallied.

Among traded options, Ladbroke headed the actives list as two UK brokers bought stock and sold options so as to secure the dividend payment.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (275).
BRITISH FUNDS (12) Consld. 2½pc, Treas. 3pc '66, Do. 2pc IL 1996, Do. 2½pc IL 2001, Do. 2½pc 2003, Do. 2pc IL 2006, Do. 2½pc IL 2009, Do. 2½pc IL 2011, Do. 2½pc IL 2013, Do. 2½pc IL 2016, Do 2½pc IL 2020, Do. 2½pc IL 2024, INT.BANK & O'SEAS GOVT. STLG. ISSUES (2) African Dev. 11¼pc 2010, Int-Am. Dev. 12½pc 2003, LOANS (2) N'wide Anglia 3¾pc '21, Do. 4.25pc '24, AMERICANS (18) BankAmerica, Bowater Inc., Campbell Soup, Chase Manhattan, Citicorp, Colgate-Palmolive, Cont'l Bk., Data Gen., Fluor, Greyhound Dial, Lone Star, Manuf Hanover, Merrill Lynch, Molex, Morgan (JP), Rep NY, Unileb, Utd. Tech., CANADIANS (6) Amer. Barrick Res., Bk. Montreal, Can Imp Bk., Echo Bay, Hawker Siddeley, Royal Bk. Can., BANKS (8) Abbey Natl., Bk. of Scot. 9¾pc Prf, Kyowa, Sumitomo, Woodchester, BREWERS (3) Guinness, Seagram, BUILDINGS (7) Baggeridge Brick, Beazer, Berkeley, Kajima, Mowlem (J), Sheffield Insulations, Tilbury, CHEMICALS (8) Akzo, Canning (W), Croda, *Hickson, Porvair, Yorkshire, STORES (18)* Cantors A, Coles Myer, Dunhill, Kingfisher, Do 8½pc Ln. 2000, OS, Sherwood, Smith (WH) A, T & S, Wickes, ELECTRICALS (18) BICC, Do. Cap. Fin. 10.75pc Cnv 2006, Br. Telecom, Delta, Life Sciences, Logica, MMT Computing, MTL Instrs., Micro Focus, Philips Lamps, Presswick, Racal, Racal Telecom, Sys. Reliability, TDK, Unitech, ELECTRICITY (2) Manweb, Sth. Wales, ENGINEERING (9) Beauford, Bromsgrove, Folkes, Johnson & Firth, McKechnie, Molins, Ransomes, Rotork, SKF, FOODS (19) Argyll, Ashley, Assoc. Fisheries, Banks (SC), Berisford, Brake Bros., England (J), Farepak, Geest, Iceland Frozen, Kwik Save, Low (Wm), M & W, Morrison (Wm) 5¼pc Prf., Nestle (Reg), Nichols (Vimto), Sainsbury (J), Shoprite, Tesco, HOTELS (2) Friendly, Resort, INDUSTRIALS (58) AGA, Amer. Bus. Sys., Amer Free A, BTR Wrrnts., Do. Wrrnts '92-93, Do Wrrnts '94-95, Baxter Inc., Bespak, Bibby (J), Bowater, Do 7.75pc Prf, Boxmore, Brammer, Brandon Hire, Cassidy, C'bell & Armstrong, Community Hosp., Cooper (A), Courtaulds, ECC, Elan, Essellte, Fenner, Fisons, Fleretto C & W, Grampian, ISS-Ind. Serv. Sys., Inchcape, Ipeco, Kelsey, Lilly (E), Magnolia, Mitsubishi, Office & Elect., *Peterson Zochonis, Proudfoot, RCO, Reckitt* & Colman, Do. 9.5pc Cnv., Record, Reliance Sec., Robertson, Scapa, Securicor A, Serco, Siebe, Smiths, Beecham A, Do. Equity Units, Smiths Inds., Spandex, Swire Pac. A, TT, Toye, Trafalgar Hse., UDO, Vinten, Wellcome, Whatman, INSURANCE (8) Amer. Gen., Amer. Intl., Aon, Bradstock, Travelers, Willis Corroon, LEISURE (9) Barr & WAT A, Boosey & Hawkes, Campari, Classic Th'breds, Kunick, Do. 8¼pc Prf., Owners Abroad 9.75pc Prf, Stanley, Wembley, MOTORS (3) FR, Perry, Volvo, NEWSPAPERS (4) BPP, News Corp., Reed, Trinity, PAPERS (12) Abbott Mead Vickers, CIA, Fitch-RS, Do. 8p Cnv. 2007, Gold Greenlees, Lopex, Repola, SCA B Free, Saatchi 6.3pc Prf., Shandwick, Smith (DS), Watmoughs, PROPERTY (4) Br. Land 8⅛pc Cnv., Ests. & Gen., Land Lease, Slough Ests. 12¾pc Ln. 2009, TEXTILES (2) Courtaulds, Leeds, TOBACCOS (2) BAT, Rothmans B, TRANSPORT (7) SAA, Dawsongroup, GATX, Interlink Exprs., Norish, Ocean, TNT, TRUSTS (38) Archimedes Inc., Caledonia, Carlisle, China & Eastern, Derby, Drayton Asia Wrrnts, Equity Consort Deld., F & C Pac. Wrrnts., F & C Smaller Co's., Five Arrows Chile, Do. Wrrnts., Flmng. Amer. Cnv. 1999, Flmng. *Enterprise, Flmng. Far Eastern, Flmng.* Fledgeling, Flmng. Int'l. High, GT Chile Fd. Units, Genesis Chile, INVESCO MIM, Do. 9pc '95-2000, JF Fldng. Japan, Do. Wrrnts., JF Pac. Wrrnts., Jersey Phoenix, Jove Inc., Lancs. & London, Leveraged Opportunity, Martin Currie Pac. Wrrnts., Pac. Assets, Do. Wrrnts., River Plate Cap., Rolinco Sub., SPLIT Inc., Scot. Natl. Inc., Do. Stppd. Prf., Second Mkt., Siam Fd. (Cayman) Prf., Sphere Zero Prf., Temple Bar 8pc Cnv. 2002, OILS (6) Burmah Castrol, Global Natrl. Res., Hardy, LASMO 9⅞pc Prf., Pittencrieff, Woodside, MINES (8) ACM, Ang. Amer. Coal, Delta Gold, Gwalia Cons., Indonesian Diamond, Ivernia West, Nth. Brkn. Hill Peko, RTZ.

NEW LOWS (27).
AMERICANS (1) Unisys. CANADIANS (1) Nth. West Gold, BREWERS (1) Wiltshire, BUILDINGS (1) Jackson, STORES (2) Fired Earth Tiles, Usher (F), ENGINEERING (1) Cronite, INDUSTRIALS (7) Assoc. Nursing, Central Sheerwood, Ibex, Nu-Swift, Rentaminster, SEP, Wyndham, LEISURE (1) BCE, NEWSPAPERS (1) Starling Publs., PROPERTY (4) Dunloe Hse., Hardanger, Lon. Secs. 8pc Prf., Waterglade, TRUSTS (2) Murray Ent. Zero Ln. '94, Worth, OILS (3) Atlantic Res., Cairn Energy, Ex. Co. Louisiana, MINES (2) Europa Minerals, Young.

APPOINTMENTS

Schroders managing director

■ Mr N. R. MacAndrew has been appointed to the board of SCHRODERS in succession to Mr Strickland as group managing director, finance, strategic planning and information technology. Mr MacAndrew, a chartered accountant, was appointed a director of J. Henry Schroder *Wagg & Co in 1982.* On his return to London from Hong Kong in 1990 he was appointed head of North American marketing for the investment banking division, a position he will continue to hold in addition to his new responsibilities for Schroders.

■ Mr Richard Brewster has been appointed a non-executive director of THE BANKERS INVESTMENT TRUST.

■ Mr Bob Maiden, the former managing director of THE *ROYAL BANK OF SCOTLAND* who retired on March 31, is joining the boards of the two European Community banks which the Royal owns jointly with its alliance partner, Banco Santander.

The two banks concerned are CC-Banque Belgique SA, based in Brussels, and CC-Bank AG, headquartered in Moenchengladbach, Germany.

Mr Maiden joins the board of the Belgian bank immediately and will become deputy chairman of the supervisory board of the German bank at its annual meeting on April 17.

■ Mr Don Almond *(pictured)* has been appointed managing director of JOSEPH ASH & SON, the Birmingham-based galvanizers, in succession to Mr Henry Scaldwell who has retired. Mr Almond joins from Cope Allman International where he was managing director of the group's specialist plastics packaging company in Portsmouth.

■ ELGA, the water purification specialist, has apppointed Mr Keith Rippington as its managing director. He was sales and marketing director of the laboratory division.

■ THE MATSURA MACHINERY CORPORATION of Fukui City, one of Japan's largest machine tool manufacturers, has appointed Mr Jeremy Gough as managing director of its new technical centre in Britain. The centre is at the headquarters of Beaumont Machine Tools at Coalville, Leicester, of which Mr Gough is also managing director.

■ SWISS BANK CORPORATION has appointed Mr Peter Griffiths as a director within the merchant banking group at its London office. Mr Griffiths will be responsible *for the formation of the export* finance group which will complement the present export/trade activities already in existence. He joins SBC from Chase Investment Bank, London.

■ SUN LIFE CORPORATION is appointing Mr Peter Clark as its chief actuary at Sun Life Group and Sun Life Assurance Society on May 7.

Mr Clark, group deputy actuary of Prudential Corporation, will join the boards of both the Corporation and the Society.

■ HOGG GROUP has appointed Mr Gary Griffith to the board. Mr Griffith will become chief operating officer of the US subsidiary Republic Hogg Robinson, working with Mr Charles Keller who becomes chairman.

Prior to joing the group he was president and chief executive officer of Coroon & Black California.

■ LAWSON MARDON GROUP has appointed Mr D.M. Bisdee as commercial director, LMG York. He joined LMG from International Colour Management where he was director of marketing.

■ Dr Geoffrey May has been appointed director of research and development of HAWKER BATTERIES, part of the Hawker-Siddeley Group. He joins from Barton Abrasives where he was managing director.

Directors at Charterhouse Bank

■ CHARTERHOUSE BANK has appointed the following directors: Mr Neil F. Fryer, Mr Alan S. McRae, Mr J. Paul Roby, Mr David P. Dancaster and Mr Atholl D. Turrell.

Mr Robin D. Poynder, Mr Dennis A. Sweeney, Mr Andrew P. Walker, Mr Peter D. Bowman, Mr Lawrence W. Guthrie, Mr Benjamin Money-Coutts, Mr Ian Barrass, *Mr Gareth I. Craig* and Mr Christian Tyson become assistant directors.

■ Mr Peter Williams has become manufacturing director at CLARKE FOODS (UK). Mr Williams was co-founder and technical director of Classic Ices, which was acquired by Hillsdown in 1985. Clarke Foods acquired the ice cream divisions of Hillsdown in March 1991.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£11¼	£9¾	ABN Amro Fl5	£11	–⅛	Q30%	♦	4.2	♦
151	121	ANZ SA1	146	–1	Q38c	1.9	11.4	4.7
284	211	Abbey National 10p	277	–1	9.5	q3.0	4.6	9.6
183	126	Allied Irish Ord	178	–1	tQ40%	3.3	5.0	8.1
65	53	Anglo Irish	68	.....	Q18.6%	2.3	7.0	7.9
60	38	Ansbacher (H.) 1p	38xd	.....	1.5	0.3	5.3	–
£55¾	£42½	Bancaire Cie Fr100	£50¾	–⅝	Q15%	–	3.1	–
£17¼	£12¼	Banco Bilbao Viz	£17¼	–¼	Q49.1%	2.7	4.8	7.8
£30½	£21¾	Banco de Santander	£30½	.....	Q28.7%	2.3	4.0	10.7
208	139	Bank Ireland Ir£1	202	–1	Q14.7%	2.9	6.5	7.1
£19½	£19½	Bank Leumi	£19½	.....	–	–	–	–
350	350	Bank Leumi (U.K.) £1	350	.....	16.0	–	6.1	–
145	111	Bank Scotland	141	+2	t4.55	3.4	4.3	9.0
110	96½	Do. 9¼pc Irrd Pf £1	106¼	+1	9¼%	–	11.6	–
110¼	99½	Do. 9¾pc Irrd Pf £1	110¼	+1	9¾%	–	11.8	–
43	35	Bank of Wales	43	.....	2.8	0.8	8.7	(20.7)
489	327	Barclays £1	465	+2	21.15	1.1	6.1	19.3
12	9	Benchmark 20p	10	.....	0.75	–	10.0	–
250	195	Brown Shipley £1	250	.....	t12.0	2.2	‡	8.1
464	384	Cater Allen £1	461	.....	F24.5	–	7.1	–
44	36	Chancery	36d	.....	t9.0	2.7	‡	1.4
£18¾	£15	Commerzbk DM10	£18¾	+¼	Q18%	–	3.4	–
£231¾	£191¾	Deutsche Bk DM50	£211½	–2¾	Q28%	–	2.2	–
£9¾	£7¾	Dai Ichi KBk Y50	£9¾	–¼	Q17%	6.2	0.3	46.1
£18½	£16¼	Espirito Santo	£18¼	+⅛	Q75c	5.1	2.3	8.5
213	152	First Nat. Fin. 10p	206	–1	13.0	1.2	8.4	(12.2)
110	78	FNFC 6.3pc Cv Pf £1	108	+1	6.3%	–	7.8	–
1097	867	Fuji Bank Y50	1087	–10	tQ17%	6.9	0.3	46.3
355	303	Gerrard & National	348	.....	19.0	–	7.3	–
78	50½	Guinness Mahon 10p	51	.....	1.45	–	3.8	–
302	204	Hambros 20p	281	–2	t11.5	–	5.5	–
125	90	Do. 7.5pc Cv Pf £1	116	–1	7½%	–	8.6	–
44½	29½	HK & Shang. HK$2.50	44½	.....	Q36.18c	–	6.3	–
413	378	Joseph (Leo) £1	408	.....	15.85	–	5.2	–
153	121	King & Shaxson 20p	152	.....	10.25	–	9.0	–
377	249	Kleinwort Benson Grp	338xd	–3	16.0	–	6.3	–
485	382	Kyowa Bk Y50	485	+1	Q14%	3.8	0.6	45.9
379	268	Lloyds £1	360	+9	15.3	1.6	5.7	14.7
63	47	Lon. Scot. Bank 10p	62	.....	2.75	1.7	5.9	11.4
214	150	Midland £1	212	+6	9.0	–	5.7	–
£10¾	832	Mitsubishi Bank Y50	£10	–½	tQ17%	♦	0.3	♦
£7¾	£6¾	Mitsubishi Tst & Bk Y50	£7¾	+⅛	Q17%	12.4	0.5	15.0
£8¼	£6¾	Mitsui Taiyo Kobe Y50	£7¾	–⅛	tQ16%	6.0	0.4	43.3
614	507	Mitsui Tst & Bk Y50	613	–1	Q17%	5.5	0.6	33.1
260	207	Nat Aust. Bk. A$1	257	+1	gQ55c	1.5	9.4	7.1
352½	247	NatWest £1	338	–4	17.5	0.6	6.9	31.1
£140	£100	Ottoman Bank	£135	.....	Q110%	♦	8.7	♦
45	24	Rea Bros. Group	42	.....	0.5	3.2	1.6	21.0
211	147	Royal Bk. Scotland	194	–2	8.4	2.3	5.8	9.9
469	377	Saitama Bank Y50	468	.....	tQ14%	♦	0.6	♦
£10¾	£7¼	Sanwa Bank Y50	£9¾	+⅛	Q17%	6.7	0.4	41.4
840	640	Schroders £1	838xd	.....	14.0	♦	2.2	♦
630	423	Do. £1 N/V	618xd	.....	14.0	♦	3.0	♦
£16¾	£9¾	Sec. Pacific $10	£14¾	–¾	Q52.52	–	10.0	–
399	205	Standard Chartd £1	388xd	+2	20.0	(0.6)	6.9	(44.9)
£9¾	£7¾	Sumitomo Bank Y50	£9¾	+⅛	tQ16%	7.5	0.3	41.0
£7¾	£5¾	Sumitomo Tst & Bk Y50	£7¾	+⅛	Q17%	6.9	0.5	31.3
165	124	TSB	152	–1	6.4	2.1	5.6	11.3
157	112	TSB Bank Ch'nel Is'l	157	.....	d08.0	3.8	5.1	6.3
£7¼	£5¼	Tokai Bank Y50	£7¼	.....	Q16%	4.1	0.4	54.4
753	639	Toyo Tst & Bk Y50	741	+5	tQ15.2%	6.9	0.4	35.4
600	540	Union Discount £1	576	–3	35.0	1.7	8.1	(8.7)
485	314	Warburg (S.G.)	453	–4	15.0	3.0	4.4	10.2
163	109	Do 6pc Cnv Prf £1	151	.....	6%	–	5.3	–
183	128	Westpac SA1	179	.....	Q52.5c	1.2	12.8	6.4
353	286	Wintrust 20p	350	.....	18.7	4.3	3.3	9.3
686	575	Yasuda Tst & Bk. Y50	685	+8	Q17%	5.9	0.5	34.3

Hire Purchase, Leasing, etc.

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
50	30	CLF Yeoman 50p	35	.....	t018.5%	3.2	‡	1.7
57	40	Cambridge Grp Ir5p	50½	.....	t07½%	15.6	0.6	12.3
38½	36	Capital Leasing Ir10p	36	.....	t0017%	3.5	3.3	8.9
78	52	Cattle's (Hdgs) 10p	74xd	.....	3.8	♦	6.8	♦
512	390	Prov. Financial	490	–2	23.5	1.9	6.4	10.7
138¾	119	Reflex Invs. Ir5p	128	–2	tq051%	7.9	1.8	9.4
260	195	Secure Trust Grp. 1p	268	.....	10.5	♦	5.5	♦
207	140	Woodchester IR20p	207	+7	Q21.7%	♦	1.9	♦

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

هكذا من الأصل

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares γ Gamma refers to other traded instruments

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. %% Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Craig & Rose £1 ... β	650	.....
Finlay Pkg. 5p ... β	31	.....
Holt (Jos) 25p ... β	1684	.....

IRISH

Cap. 8½% Ln. 1991	£99⅝	.....
9pc Cap Ln. 1996	£97½	.....
Fin. 13% 97/02	£114½	.....
Arnotts	175	.....
Carrol (P J)	154	
Heiton Hldgs. ... γ	52	
IRG	160	
United Drug	170	

TRADITIONAL OPTIONS

3-month call rates

Industrials

Industrials	p
Allied-Lyons	46
Amstrad	7
Assoc (BSR)	6
BAT	60
BOC Grp	51
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	25
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	3½

Oils

Ariva Petm.	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petm	10
Gaelic Res	1
Premier	6
Shell	51
Tuskar Res	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	46.76	46.76xd	50.01	+0.07	6.94
Gilts & Fixed Int	6	113.2	113.2xd	120.1	+0.3	9.58
High Inc Equity	6	137.9	142.4xd	150.4	+1.3	5.65
Worldwide Bond	6	204.2	204.2xd	216.4	+0.2	6.93
Capital Growth						
American Growth	6	190.9	190.9	204.1	-0.3	.98
Asian Pacific	6	124.9	127.6	135.7	+0.7	15
Assets & Earnings	6	179.8	179.8	191.2	+1.1	2.75
Capital Reserve Acc	0	103.9	103.9	103.9	....	7.30
Capital Reserve Inc	0	82.14	82.14xd	82.17	+0.03	7.30
Cmdty & Energy	6	76.25	76.25xd	81.55	+0.23	.92
1992 Enterprise	6	64.93	64.93	69.44	+0.38	2.74
Euro Capital Acc	6	89.05	89.05	95.24	+0.85	1.42
Euro Capital Inc	6	85.08	85.08xd	90.99	+0.86	1.43
General	6	173.7	173.7xd	185.7	+1.3	2.69
Japan	6	102.4	102.4	109.5	+0.6	–
Mastertrust	6	89.39	89.39	95.60	+0.51	2.23
UK Growth Acc	6	161.7	161.7	172.9	+2.1	2.15
UK Growth Dist	6	103.9	103.9xd	111.1	+0.8	2.16
US Emerging Cos	6	62.76	62.76	67.12	+0.64	–
Income & Growth	6	315.4	315.4	337.3	+2.2	4.15
Ethical	6	49.83	49.83	53.29	+0.39	2.76
International	6	61.23	62.11	66.97	+0.39	1.29
Dividend & Growth	6	50.26	51.52	54.80	+0.35	5.47
Global Gwth & Sec	6	50.86	51.20	54.46	+0.37	1.84
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	966.92	966.92	1017.8	.....	–
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	28.41	28.41xd	30.21	+0.17	2.65
Cash	–	50.47	50.47xd	50.47	+0.02	12.30
European	5¼	72.65	72.65	77.02	+0.43	0.00
European Income	5¼	75.41	75.79xd	79.94	+0.49	1.54
Exempt	1	764.1	764.1xd	792.1	+5.80	2.94

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)H

Target Trust Mngrs Ltd (1600)F

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1000)F

Three Counties Asset Mngmt Ltd (1430)F

Timberlake Trust Mngrs Ltd (0900)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

Trades Union Unit Tst Mngrs (1200)H

Tyndall Unit Trust (1200)H

United Charities Unit Trusts (1000)H

Wardley Unit Tst Mngs Ltd (1300)F

Waverley Unit Tst Mngmt Ltd (1000)F

Wessex Asset Management (1330)F

Whittingdale Unit Tst Mngt Ltd

Wilbury Financial Services Ltd (0905)F

Woolwich Unit Trust Mngrs Ltd (1700)H

Wright Seligman Fund Mngrs Ltd (1700)F

M & G Securities Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

OTHER UK UNIT TRUSTS

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Acuma Life Assurance Ltd

AEtna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc – Contd.

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insur./Midland Assur.

Eagle Star Life Assurance Co Ltd

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insur. Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Guardian Royal Exchange – Contd.

Hearts of Oak Assurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

Manulife Group PLC

Merchant Investors Assurance Co Ltd

Merchant Investors Assurance Co Ltd – Contd.

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Co Ltd

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd.	105.2	110.7	+0.4	–
Pension Managed Fd.	102.3	107.6	+0.3	–
Life Deposit Fd.	105.7	111.3	+0.1	–
Pension Deposit Fd	110.3	116.1	+0.1	–

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	111.7	122.1	+1.5	–
Managed Growth	138.5	151.4	+1.6	–
Managed Opportunity	136.1	149.6	+1.7	–
NFMC Target Financial	103.5	111.3	+1.4	–
Pension Funds				
Managed Cautionary	120.0	130.5	+1.1	–
Managed Growth	145.1	156.6	+1.7	–
Managed Opportunity	137.6	150.4	+1.4	–
NFMC Target Mngd Pen.	1509.0	1640.3	+5.9	–

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	160.1	168.6	----	–
UK Equity	169.1	178.1	----	–
Overseas Equity	133.3	140.4	----	–
Fixed Interest	143.1	150.7	----	–
Property	130.6	137.5	----	–
Index Linked	146.3	154.1	----	–
Deposit	153.4	161.5	----	–
With Profits (B)	127.1	133.8	----	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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U.S. Treasury Securities Fund Ltd

Yamaichi Capital Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (a)

MI Global Asset Mngmt Co Ltd "MI Trusts"

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1,600)F

Asset Global Funds Ltd

CMI Fund Managers (IoM)

Equity & Law Intl Fund Mngrs Ltd

Gartmore Fund Managers (IoM)

Mercury Fund Managers Isle of Man Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

CAL Investments (IoM) Ltd

Equity & Law International Fund Mgs Ltd

John Govett Management (IoM) Ltd

TSB Global Funds Limited

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Brown Shipley Fund Mgmt (CI) Ltd

John Govett (Channel Islands) Ltd

INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Brown Shipley Fund Mgmt (CI) Ltd

Cater Allen Investment Management (CI) Ltd

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

Equitilink International Mngt Ltd

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

John Govett Management (Jersey) Ltd

INVESCO MIM International Limited

Minerals, Oils Res. Shrs. Fd. Inc.

Morgan Grenfell Funds Mngt (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Prudential Intl Financial Services Ltd

Royal Trust Intl Fd Mngt Ltd

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Mngt Fund Ltd

Schroder Worldwide Selection Fd

Scrimgeour Kemp-Gee Mngmt, Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

Worldinvest (Management) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (a)

Aitken Federated Intl Mngrs (Lux) SA (a)

Barclays Intl Funds (Luxembourg) (1,600)

CMI Asset Management (Luxembourg) SA (a)

Commercial Union Luxembourg SA (a)

Cresvale Asset Advisors (Lux) SA (a)

Dreyfus Asset Management SA (a)

Eagle Star Intl-Global Assets Fund (a)

EuroFund-Wright Mutual Eqty Fd (a)

Fidelity Funds (a)

Fleming Group (a)

Gartmore Luxembourg SA (a)

Henderson Management SA (a)

Hill Samuel Inv Services Intl SA (a)

Hypo Foreign & Colonial Port Fd Sicav(a)

INVESCO MIM International Limited (a)

Ivory & Sime (Luxembourg) SA (a)

Kleinwort Benson Select Fund (a)

Liberty ALL-STAR World Portfolio-Eqty Fd(a)

Lloyds Bank Luxembourg

Midland International Circuit Fund SICAV(a)

Morgan Grenfell UT Mgrs/Deutsche Bk (a)

Nomura Global Fund (a)

Norwich Union Intl Portfolio (a)

Royal Life Global Investment (Luxembourg)

Schroder International Selection Fd (a)

Sun Life Global Management (a)

S.G. Warburg Asset Mngt Lux SA (a)

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Asian Development Equity Fund

Banque Ferrier Lullin (Lux) SA

Banque Paribas Luxembourg

CB Fund International (a)

Citi International Serial Funds

Credit Commercial de France

Credit Suisse

Top Brand Fund Intl-SICAV (a)

Transworld Bond Trust

US Pacific Stock Fund (a)

Unifunds SA, Frankfurter 1 (a)

Union Financial Services SA Lux

Viking Fund-SICAV

Winterthur Fund Mngmt Co (Lux) SA

World Bond Fund-SICAV (a)

World Capital Gwth Fd-SICAV (a)

Yamaichi Advanced Technology Fd

Yamaichi 1992 OMNI Fund SICAV (a)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Aberdeen Fund Managers (Gsy) Ltd

Asia Investment

Asia Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Arral Associates Ltd

Asian Convertibles & Income Fd (Cayman)

Australasia Fund

Julius Baer Bank & Trust Co Ltd

Baring International Group

The Bahrain Fund

Bermuda Ridge NV Curacao

Bridge Management Ltd

Bridge Singapore Asset Mngmt Ltd

Buckmaster Management Co Ltd

CDC Investment

Centrale ITEC Fund Management

Capital International

Citizens Investment Trust Mgt Co Ltd

Connaught Investments Ltd

Credit Lyonnais Intl Asset Mngt (HK) Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Daehan Investment Trust Co Ltd

Daiwa Japanese Equity Warrant Fund

Deutsche Ges. F. Wertpapiersp

Emerging Markets Management

English & Dutch Investment Trust

Europe 1992

Fidelity Japan OTC Regional Mkts Fd Ltd

First Mexico Income Fund

Five Arrows Chile Fund Ltd

Frankfurt Trust Investment GmbH

Free World Fund

The French Prestige Fund

GT Chile Growth Fund Ltd

GT European Warrant Fd Mngt (Lux) SA

GT Management Plc

GW Investment Mngmt Ltd

Gaia Currency Funds

Gartmore Investment Ltd

Genesis Fund Managers Ltd

German Selection Associates N.V.

Global Asset Management

Global Government Plus Fund

Granville Management Ltd

Grove Limited

Guinness Flight Intl Accum Fund Ltd

Hill Samuel Investment Services Intl

The India Magnum Fund NV

Indosuez Asia Invest Services Ltd

Jardine Fleming Unit Trusts Ltd

Korea Investment Trust Co Ltd

Lehman Brothers Sports Growth Fund

Lloyds Bank Geneva Switzerland

London & Bishopsgate International

Malaysia Capital Fund Ltd

Malaysia Growth Fund

Malaysian Smaller Co's Fd (Cayman) Ltd

Manufacturers Hanover Fund Mgrs Ltd

Meridian Funds

Merrill Lynch Corp

Morgan Stanley Japanese Warrant Fund NV

NM Financial Mngt Intl Ltd

The New Zealand Fund

Newport International Management

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

Optima Group

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

PAM Futures Trading (Cayman) Ltd

PFC Internatl Portfolio Fd Mngt Ltd

PRS International

Pacific Growth Fund

Pearson Heidring & Pierson

Portugese Investment Fund Ltd

Prospect II Port N.V.

Putnam International Advisors Ltd

Quantum Fd NV Curacao

Quilter International Management Ltd

Regent Fund Management Ltd

Rothschild Asset Management (CI)

Royal Trust North American Bond Fd

Sabre Fund Mngt Ltd

Safra Republic Holdings

Schroder Investment Management Limited

Schroder Japanese Warrant Fund

Schroders Asia Limited

Scimitar Bermuda Funds

Scudder, Stevens & Clark Inc

Sequoia Securities (Bermuda) Ltd

Singer & Friedlander Lds. Agents

Societe Generale Merchant Bank plc

Sodite Asset Management Inc

Sterling Offshore Fund Admin. Ltd.

Tabasco Fund Managers Limited

Taipei Fund

Templeton Galbraith & Hansberger Ltd

Templeton Worldwide Investments

The Thai Development Capital Fd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Growth Fund

The Thailand Intl Fund Ltd

Tudor BVI Futures Ltd

Tyndall International (Bermuda) Ltd

Warburg Inv Mngmt (Isle of Man) Ltd

Wardley Investment Services Ltd

Wellington Fd Mngrs (Bermuda) Ltd

Wells Fargo U.S. IT Fund

Ziphias International Investment Fd Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar lower before jobs data

THE DOLLAR moved lower yesterday as the market gave up gains which followed the Bundesbank's decision not to raise interest rates and instead worried more about the slowdown in the US economy.

The Bundesbank had already hinted to the market via its daily credit operations that it would not be raising rates. But doubts persisted and the German central bank's announcement at its council meeting gave a temporary boost to the dollar.

There was insufficient support for the US currency at the higher levels and by the time the New York market opened it was already starting to drift lower.

The release of the latest weekly unemployment figures jolted the market and sent the dollar almost a pfennig lower against the D-Mark. New applicants for unemployment insurance benefit in the week ended March 23 rose to 543,000 compared with expectations of 500,000, and 510,000 the previous week.

Although the weekly unemployment figures are erratic and usually have little impact on currencies, yesterday's announcement struck a chord with a market which was beginning to worry about today's important monthly employment data. A Money Market Services survey of economists found an average expectation of a 137,000 decrease in non-farm payroll employment in March, compared with the 184,000 drop in February.

By the close of London trading, economists had revised down their projections for the March figure, while foreign exchange dealers said the market was now expecting a drop of 200,000.

Suggestions of a large drop in employment has led to renewed talk that the Federal Reserve may ease monetary policy. However, economists said that the currency market is reading too much into the weekly unemployment figures to draw such firm conclusions about US monetary policy.

Nevertheless, the doubts remained, and the dollar closed lower against most currencies. It finished weaker at SFr1.4025 from SFr1.4140, at Y136.25 from Y137.30, but higher at DM1.6670 against DM1.6640 and at FFr5.6450 from FFr5.6425. The dollar's index, calculated by the Bank of England, finished at 64.8, down 0.2.

The Bundesbank's decision not to alter monetary policy depressed the mark, particularly against the Swiss franc, sterling and the yen. The German currency ended at SFr0.8420 against SFr0.8500 and at Y81.74 from Y82.71.

Sterling was firmer particularly against most European Monetary System currencies. The pound closed higher at DM2.9750 from a previous DM2.9625; at FFr10.0725 from FFr10.0500; it was lower at Y243.00 from Y245.00. Sterling's index was unchanged at 92.7.

The ECU is added to the exchange cross rates table on this page, starting today.

£ IN NEW YORK

Apr 4	Latest	Previous Close
£ Spot	1.7865-1.7875	1.7745-1.7755
1 month	0.90-0.88pm	0.97-0.95pm
3 months	2.59-2.56pm	2.62-2.57pm
12 months	7.30-7.20pm	7.27-7.17pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr 4	Previous
8.30 am	92.6	92.9
9.00 am	92.6	92.9
10.00 am	92.6	92.8
11.00 am	92.6	92.8
Noon	92.6	92.8
1.00 pm	92.6	92.8
2.00 pm	92.6	92.8
3.00 pm	92.7	92.8
4.00 pm	92.7	92.7

CURRENCY MOVEMENTS

Apr 4	Bank of England Index	Morgan Guaranty Changes %
Sterling	92.7	[illegible]
U.S. Dollar	64.8	[illegible]
Canadian Dollar	104.1	[illegible]
Austrian Schilling	108.7	[illegible]
Belgian Franc	110.6	[illegible]
Danish Krone	108.5	[illegible]
D-Mark	117.0	[illegible]
Swiss Franc	113.4	[illegible]
Guilder	113.2	[illegible]
French Franc	102.4	[illegible]
Lira	98.9	[illegible]
Yen	135.3	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Apr.3

CURRENCY RATES

Apr 4	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

† European Commission Calculations. * All SDR rates are for Apr.3

OTHER CURRENCIES

Apr 4	£	$
[illegible]	[illegible]	[illegible]

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 4	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.428	-4.64	6.13	81
Sterling	0.696904	0.692587	-0.62	1.84	11
Italian Lira	1538.24	1531.59	-0.43	1.64	29
Belgian Franc	42.4032	42.3649	-0.09	1.30	12
D-Mark	2.05586	2.05905	0.16	1.05	0
Dutch Guilder	2.31643	2.32033	0.17	1.05	0
Irish Punt	0.767417	0.770801	0.44	0.76	-13
Danish Krone	7.84195	7.90209	0.77	0.43	-28
French Franc	6.89509	6.97812	1.20	0.00	-57

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Apr 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7635 - 1.7855	1.7840 - 1.7850	0.89-0.87cpm	5.92	2.58-2.55pm	5.75
Canada	2.0380 - 2.0630	2.0620 - 2.0630	0.49-0.41cpm	2.62	1.39-1.25pm	2.56
Netherlands	3.3470 - 3.3600	3.3500 - 3.3600	⅞-⅝cpm	2.91	2⅜-2⅛pm	2.76
Belgium	61.05 - 61.35	61.25 - 61.35	17-12cpm	2.84	43-38pm	2.64
Denmark	11.3920 - 11.4400	11.4300 - 11.4400	2⅝-2¼orepm	2.56	6⅜-6⅛pm	2.27
Ireland	1.1115 - 1.1180	1.1165 - 1.1175	0.19-0.16cpm	1.88	0.50-0.40pm	1.61
Germany	2.9685 - 2.9775	2.9725 - 2.9775	⅞-⅝pfpm	3.28	2¼-2pm	2.86
Portugal	259.30 - 261.45	260.45 - 261.45	8-10cdis	-0.41	15-53dis	-0.52
Spain	183.45 - 184.55	183.60 - 183.90	12-20cdis	-1.04	30-42dis	-0.78
Italy	2208.80 - 2215.65	2214.00 - 2215.00	2lirepm-par	0.54	4-2pm	0.54
Norway	11.5620 - 11.6000	11.5900 - 11.6000	2-1¾orepm	1.88	5¾-4¾pm	1.70
France	10.0560 - 10.0945	10.0675 - 10.0775	2½-2¼cpm	2.83	6⅞-6½pm	2.66
Sweden	10.7270 - 10.7790	10.7675 - 10.7775	¼orepm-par	0.14	¼-⅝dis	-0.14
Japan	242.20 - 243.50	242.50 - 243.50	1-⅞ypm	4.32	2¾-2⅝pm	4.32
Austria	20.89 - 20.97	20.93 - 20.97	6¼-4¾gropm	3.15	16¾-14¾pm	2.98
Switzerland	2.4975 - 2.5200	2.4975 - 2.5075	⅞-⅝cpm	3.60	2⅜-2⅛pm	3.60
Ecu	1.4410 - 1.4460	1.4440 - 1.4450	0.36-0.31cpm	2.78	0.97-0.90pm	2.59

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.48-4.43cpm. 12 Month 7.26-7.16pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7635 - 1.7855	1.7840 - 1.7850	0.89-0.87cpm	5.92	2.58-2.55pm	5.75
Ireland†	1.5855 - 1.6005	1.5995 - 1.6005	0.54-0.49cpm	3.86	1.60-1.50pm	3.88
Canada	1.1545 - 1.1565	1.1555 - 1.1565	0.30-0.33cdis	-3.27	0.91-0.96dis	-3.24
Netherlands	1.8775 - 1.8980	1.8795 - 1.8805	0.45-0.48cdis	-2.97	1.42-1.47dis	-3.07
Belgium	34.30 - 34.65	34.30 - 34.40	7.50-9.50cdis	-2.97	25.00-29.00dis	-3.14
Denmark	6.4375 - 6.4600	6.4050 - 6.4100	1.70-2.10oredis	-3.56	5.35-6.05dis	-3.56
Germany	1.6650 - 1.6855	1.6665 - 1.6675	0.38-0.40pfdis	-2.81	1.22-1.25dis	-2.96
Portugal	146.20 - 147.60	146.25 - 146.35	70-80cdis	-6.15	225-250dis	-6.49
Spain	103.05 - 104.30	103.10 - 103.20	62-66cdis	-7.45	178-184dis	-7.02
Italy	1238.00 - 1253.50	1240.75 - 1241.25	5.40-5.90liredis	-5.46	15.80-16.80dis	-5.25
Norway	6.4925 - 6.5560	6.4950 - 6.5000	2.10-2.50oredis	-4.25	6.45-7.05dis	-4.16
France	5.6400 - 5.7100	5.6425 - 5.6475	1.58-1.63cdis	-3.41	4.42-4.52dis	-3.17
Sweden	6.0350 - 6.0830	6.0350 - 6.0400	2.75-3.10oredis	-5.81	8.85-9.35dis	-6.03
Japan	136.00 - 137.55	136.20 - 136.30	0.19-0.21ydis	-1.76	0.48-0.51dis	-1.45
Austria	11.7560 - 11.8450	11.7600 - 11.7650	2.60-3.05grodis	-2.88	7.80-9.00dis	-2.86
Switzerland	1.4005 - 1.4280	1.4020 - 1.4030	0.28-0.31cdis	-2.52	0.78-0.83dis	-2.30
Ecu	1.2225 - 1.2355	1.2345 - 1.2355	0.34-0.31cpm	3.16	1.01-0.95pm	3.17

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Apr 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12½ - 12¼	12½ - 12¼	12⅞ - 12⅝	12⅝ - 12⅜	11⅞ - 11⅝	11⅞ - 11⅝
US Dollar	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅜ - 6¼	6½ - 6⅜	6⅞ - 6⅝
Can. Dollar	9⅛ - 8⅞	9⅝ - 9⅝	9⅝ - 9½	9⅝ - 9⅜	9⅞ - 9⅜	9⅞ - 9⅝
Dutch Guilder	9¼ - 9⅛	9¼ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅜ - 9¼	9⅜ - 9¼
Swiss Franc	8⅝ - 8½	8⅝ - 8½	8⅝ - 8⅝	8⅞ - 8⅝	8⅝ - 8¼	7⅞ - 7⅞
D-Mark	8⅞ - 8¾	8⅞ - 8⅞	9⅛ - 8⅞	9⅛ - 9⅛	9⅜ - 9¼	9⅝ - 9⅛
French Franc	9½ - 9⅜	9½ - 9⅜	9⅝ - 9⅛	9⅝ - 9⅛	9½ - 9⅜	9⅝ - 9⅛
Italian Lira	13 - 11	12¼ - 11¼	12 - 11½	11¾ - 11¼	11⅝ - 11⅜	11⅝ - 11⅜
Belgian Franc	9⅜ - 9⅛	9¼ - 9⅛	9⅛ - 9⅛	9½ - 9⅜	9½ - 9⅜	9⅝ - 9⅛
Yen	8⅝ - 8⅛	8⅛ - 8	8⅛ - 8	7⅞ - 7⅞	7⅜ - 7¼	7⅜ - 7¼
Danish Krone	9⅝ - 9⅜	9⅜ - 9⅜	9⅝ - 9⅜	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Asian $Sing	6⅞ - 6⅞	6⅞ - 6⅞	6½ - 6⅜	6½ - 6⅜	6⅝ - 6⅝	7⅛ - 6⅞

Long term Eurodollars: two years 7⅛-7⅛ per cent; three years 8-7⅞ per cent; four years 8¼-8⅛ per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.785	2.975	243.0	10.07	2.503	3.355	2215	2.063	61.30	1.445
$	0.560	1	1.667	136.1	5.641	1.402	1.880	1241	1.156	34.34	0.810
DM	0.336	0.600	1	81.68	3.385	0.841	1.128	744.5	0.693	20.61	0.486
YEN	4.115	7.346	12.24	1000.	41.44	10.30	13.81	9115	8.490	252.3	5.947
F Fr.	0.993	1.773	2.954	241.3	10.	2.486	3.332	2200	2.049	60.87	1.435
S Fr.	0.400	0.713	1.189	97.08	4.023	1	1.340	884.9	0.824	24.49	0.577
H Fl.	0.298	0.532	0.887	72.43	3.001	0.746	1	660.2	0.615	18.27	0.431
Lira	0.451	0.806	1.343	109.7	4.546	1.130	1.515	1000.	0.931	27.67	0.652
C$	0.485	0.865	1.442	117.8	4.881	1.213	1.626	1074	1	29.71	0.700
B Fr.	1.631	2.912	4.853	396.4	16.43	4.083	5.473	3613	3.365	100.	2.357
ECU	0.692	1.235	2.059	168.2	6.969	1.732	2.322	1533	1.426	42.42	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% — [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% — [illegible]

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100% — [illegible]

THREE MONTH STERLING £500,000 points of 100% — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

THREE MONTH EUROMARK DM 1m points of 100% — [illegible]

THREE MONTH ECU ECU 1m points of 100% — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

EURO SWISS FRANC SFR 1m points of 100% — [illegible]

FT FOREIGN EXCHANGE RATES

	Spot	1-mth.	3-mth.	6-mth.	12-mth.
£	1.7845	1.7757	1.7589	1.7400	1.7124

IMM—STERLING Se per £

	Close	High	Low	Prev.
Jun	1.7510	1.7526	1.7488	1.7522
Sep	1.7300	1.7310	1.7290	1.7322
Dec	-	-	1.7150	1.7166

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

STANDARD & POORS 500 INDEX — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES — [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) — [illegible]

CAC-40 FUTURES (MATIF) Stock Index — [illegible]

ECU BOND (MATIF) — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) — [illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	12½	Co-operative Bank	12½	Nat Bk of Kuwait	13½
Adam & Company	12½	Coutts & Co	12½	NatWestminster	12½
Allied Trust Bank	12½	Cyprus Popular Bk	12½	Northern Bank Ltd	12½
AIB Bank	12½	Dunbar Bank PLC	12½	Nykredit Mortgage Bank	13
● Henry Ansbacher	12½	Duncan Lawrie	12½	Provincial Bank PLC	15
B & C Merchant Bank	12½	Equatorial Bank plc	12½	Roxburghe Guarantee	13½
Bank of Baroda	12½	Exeter Bank Limited	13	Royal Bk of Scotland	12½
Banco Bilbao Vizcaya	12½	Financial & Gen. Bank	12½	● Smith & Williamson Secs	12½
Bank Credit & Comm	12½	First National Bank Plc	13	Standard Chartered	12½
Bank of Cyprus	12½	● Robert Fleming & Co	12½	TSB	12½
Bank of Ireland	12½	Robert Fraser & Ptnrs	13	Unitbank plc	12½
Bank of India	12½	Girobank	12½	● United Bk of Kuwait	12½
Bank of Scotland	12½	● Guinness Mahon	12½	United Mizrahi Bank	12½
Banque Belge Ltd	12½	Habib Bank AG Zurich	12½	Unity Trust Bank Plc	12½
Barclays Bank	12½	● Hambros Bank	12½	Western Trust	12½
Beneficial Bank Plc	12½	Heritable & Gen Inv Bnk	12½	Whiteaway Laidlaw	12½
Brit Bk of Mid East	12½	● Hill Samuel	12½	Yorkshire Bank	12½
● Brown Shipley	12½	C. Hoare & Co	12½		
CL Bank Nederland	12½	Hongkong & Shanghai	12½	● Members of British Merchant Banking & Securities Houses Association.	
● Charterhouse Bank	12½	● Leopold Joseph & Sons	12½		
Citibank NA	12½	Lloyds Bank	12½		
City Merchants Bank	12½	Meghraj Bank Ltd	12½		
Clydesdale Bank	12½	Midland Bank	12½		
Comm.Bk.of London Plc	12½	Mount Banking	12½		

MONEY MARKETS

Lower UK rates

INTEREST rates had an easier tone after the Bundesbank left German monetary policy unchanged at yesterday's council meeting. Although a rise in German rates had not been expected, the announcement still caused a modest ripple of excitement in European money markets where yields retreated.

UK rates were further depressed as sterling strengthened against the D-Mark in the wake of the Bundesbank's decision. Turnover in the London markets was low and dealers said there appeared to be little pressure for an immediate reduction in base rates.

UK clearing bank base lending rate 12.5 per cent from March 22, 1991

One month money was ⅛ lower at 12¾-⅝ per cent, while three months was unchanged at 12⅝-⅛. In the futures market, short sterling prices were slightly higher. The June contract was up 5 points at 88.83, implying base rates of 11⅛ per cent by the end of that month, against the current 12½.

At the very short end, rates moved higher as the Bank of England appeared to leave the market without sufficient liquidity. Rates settled back as it became clear that the Bank had overestimated the size of the shortage. Overnight money finished at 12⅛ per cent against 12¾.

The Bank initially forecast a shortage of £900m which it later revised to £950m and finally to £850m. This compared with total help of £623m. One senior discount house dealer said: "The shortage was probably closer to £600m than £850m and that is why there was little pressure on overnight money. After the late assistance was provided there was little demand for extra liquidity and rates eased."

In early operations, the Bank bought £343m of band 2 bank bills at 12⅛ per cent and before lunch a further £7m in the same band. During the afternoon, it bought a further £273m by way of purchasing £109m of band 1 bills at 12⅛ per cent; in band 2 £4m Treasury and £75m bank bills at unchanged rates; and late assistance of £85m.

In Frankfurt, money rates were slightly easier. Call money fell to 8.80-8.90 per cent from 8.90-9.00. The June Euro-mark contract was up 12 points at 90.84.

In New York, the Federal Reserve added temporary reserves using overnight system repurchase agreements. Fed funds trading at 6⅛ per cent against 6⅜.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.4) 3 months US dollars		6 months US Dollars	
bid 6¼	offer 6⅜	bid 6⅜	offer 6½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	9	One month	5.72	Three year	7.19
Broker loan rate	8½	Two month	5.85	Four year	7.42
Fed.funds	6¼	Three month	5.92	Five year	7.64
Fed.funds at intervention	6⅜	Six month	6.00	Seven year	7.88
		One year	6.19	10-year	8.00
		Two year	6.95	30-year	8.19

Apr.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.80-8.90	8.85-9.00	8.95-9.10	9.00-9.20	9.10-9.30	9.00
Paris	9⅜-9½	9⅜-9⅞	9⅜-9⅞	9⅜-9½	9⅞-9⅞	9.25
Zurich	7⅞-8⅛	8⅞-8⅞	-	8⅜-8⅝	-	-
Amsterdam	9.25-9.38	9.16-9.26	-	9.25-9.28	-	-
Tokyo	8⅛-8⅜	8⅛-8⅛	-	-	-	-
Milan	11⅞-12	12-12⅛	-	12-12⅛	-	-
Brussels	9.18-9.31	9⅛-9⅜	-	9⅛-9½	-	-
Dublin	9⅞-10	10⅛-10⅜	10⅜-10⅜	10⅜-10⅜	10⅛-10⅜	-

LONDON MONEY RATES

Apr 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	12½	12½	12⅝	11⅞	11½
Interbank Bid	12⅛	12¼	12⅝	12¼	11¼	11⅜
Sterling CDs	-	-	12½	12⅛	11⅞	11½
Local Authority Deps.	12¼	12⅜	12½	12⅝	11⅞	11⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	13	12¼	12⅛	11¾	-	-
Company Deposits	-	-	12⅞	12⅞	11⅞	11½
Finance House Deposits	-	-	12½	12¼	11⅞	11½
Treasury Bills (Buy)	-	-	12⅛	11⅞	10⅞	-
Bank Bills (Buy)	-	-	12⅛	11⅞	11⅛	-
Fine Trade Bills (Buy)	-	-	12⅞	12⅞	11⅞	-
Dollar CDs	-	-	6.25	6.25	6.35	6.80
SDR Linked Dep. Offer	-	-	8⅛	8⅛	8⅛	8⅛
SDR Linked Dep. Bid	-	-	8	8	7⅞	8
ECU Linked Dep. Offer	-	-	9⅞	9½	9½	9⅞
ECU Linked Dep. Bid	-	-	9⅞	9⅜	9⅜	9⅞

Treasury Bills (sell); one-month 11⅞ per cent; three months 11½ per cent; six months 10⅞ per cent; Bank Bills (sell): one-month 12 per cent; three months 11⅝ per cent; Treasury Bills; Average tender rate of discount 11.5556 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 28, 1991. Agreed rates for period April 23,1991 to May 25, 1991, Scheme I: 13.52 p.c., Schemes II & III: 13.71 p.c. Reference rate for period March 1,1991 to March 28, 1991, Scheme IV&V: 12.472 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13 from April 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9 per cent; one-three months 11 per cent; three-six months 10½ per cent; six-nine months 10 per cent; nine-twelve months 10 per cent; Under £100,000 9 per cent from March 25 1991, Deposits withdrawn for cash 5 per cent.

PENSION FUND INVESTMENT

The FT proposes to publish this survey on 18th April 1991.
It will be of particular interest to 96% of the fund managers in the U.K. who are regular FT readers. If you want to reach this important audience, call Maria Bovis on 071 873 4032 or fax 071 873 3078.

FT SURVEYS

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Money Market Bank Accounts

	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTES–Gross rate is the rate of interest before deduction of basic rate tax. CAR: Gross rate adjusted to take account of the compounded annual rate.

JOTTER PAD

CROSSWORD

No.7,510 Set by VIXEN

ACROSS
1 Beach shoes are quite wrong here! (8)
5 Flowers can be an investment (6)
9 Greek character joining the Italian in the art gallery to do some damage (8)
10 Working man likely to be in a union? (6)
11 Svelte appearance of a girl staying in less (8)
12 Pay attention when the sovereign is cross! (6)
14 Held in check, so fell behind others (10)
18 A coloured seaman or flier (3,7)
22 "The balance mounts (6)
23 No rating should be without proper training (8)
24 Edward's got internal trouble fixed (6)
25 She's excited in a store (8)
26 Wheel to turn in class (6)
27 A criminal who'll take chumps in (8)

DOWN
1 It's foolish making up lies about a politician (6)
2 A street light that's not in the right place (6)
3 Boring swine holding up nothing (6)
4 Where chickens may be prepared by turns (10)
6 Hot – up-to-the-minute – about right (8)
7 "Were man but ... he were perfect" (Shakespeare) (8)
8 Sing, quite untroubled about the puff called for (8)
13 Men putting the squeeze on many among the aliens (10)
15 A detainee - one making enquiries about his child (8)
16 The dreamer giving some thought to a catalogue (8)
17 He doesn't appear to be a supporter (8)
19 An old bird turning over a ring (6)
20 Disagrees with V-sign (6)
21 Strive to make music (6)

Solution to Puzzle No.7,509

[illegible]

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

U.S. Treasury Securities Fund Ltd

Yamaichi Capital Mangmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

JERSEY (REGULATED)(**)

Schroder Kemp-Gee Mngmt Jersey

TSB Trust Funds (CI)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

Hill Samuel Inv Services Intl SA (a)

Credit Suisse

Top Brand Fund Intl-SICAV (a)

Transworld Bond Trust

US Pacific Stock Fund (a)

Unibank SA, Frontrunner I (a)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

GT Management Plc—Contd.

NM Financial Mngt Intl Ltd

The New Zealand Fund

Newport International Management

MANAGED FUNDS NOTES

2:15 pm prices April 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	9¼	AAR Corp	0.48	0.03	13	394	14¾	14⅛	14½	+⅛
26⅞	21⅝	A L Labs A	0.11	0.00	32	639	u27¼	26¾	27¼	+1
54¼	40⅞	AMP Inc	1.44	0.03	19	1861	53½	52½	53¼	+¼
63	44¼	AMR			9	12370	59⅜	58⅞	58⅞	−½
2⅞	1¼	ARX			3	347	u2⅝	2½	2⅝	+⅛
46¾	41½	ASA	3.00	0.06	19	438	48½	48¼	48⅜	+⅛
50¼	38¼	Abbott Lab	1.00	0.02	22	3665	u50⅝	49½	50⅜	+1
13¼	9⅞	Abitibi Pr	0.50	0.04	18	16	u13½	13⅛	13½	+⅜
11⅛	10⅛	ACM Gvt In				1290	u11¼	11	11⅛	+⅛
9⅛	8¾	ACM GvOpp				97	9⅛	9	9⅛	
8	8¼	ACM Gvt Sp x	1.01	0.11		217	8⅞	8¾	8⅞	−⅛
10¾	9⅝	ACM Gvt Sa x				124	10⅝	10½	10⅝	
8¼	7⅝	ACM Man				82	8	8	8	
12⅝	11⅞	ACM Managd				58	12⅛	12¼	12⅛	−⅛
7¼	4¼	Acme Cleve	0.40	0.06	16	89	6⅞	6¾	6¾	−¼
6	4⅜	Acme Elect			15	41	4⅞	d4⅜	4⅞	−⅛
39	22¾	Acuson			29	367	u40	38¾	39¾	+1¼
17¼	14¼	Adams Expr	0.48	0.03	0	85	16⅞	16⅝	16⅝	−¼
20	18⅞	Adobe12Pf	2.40	0.12		12	19⅞	19¾	19¾	−⅛
9¼	7	Adobe Res			19	209	7½	7½	7½	+⅛
31½	18	Ad Micro				211	30⅜	29⅞	30¼	+⅝
11⅝	4⅝	Ad Micro P	3.00	0.27	21	7724	11¼	10⅝	11⅛	+½
4½	2¼	Advest Grp			3	186	u4⅝	4⅜	4½	+¼
48⅞	33⅞	Aetna Lf	2.76	0.06	7	2271	48⅜	47½	48⅛	+⅝
10⅞	6⅝	Ahmanson A	0.24	0.02	28	195	9⅞	9⅞	9⅞	−⅛
18¾	12	Ahmanson	0.88	0.05	9	1686	18⅝	18¼	18⅝	+¼
5½	2⅞	Aileen Inc			6	1007	u5¾	5⅛	5¼	−⅛
69⅝	51½	Air Pr Chm x			16	538	u69⅞	68⅝	69⅝	+1½
25	16⅝	Airborne Frt	0.30	0.01	12	637	21⅞	21½	21¾	
18½	12½	Airgas Inc			22	154	u18⅞	18½	18⅞	+⅛
15¼	10	Airlease x	1.60	0.13	6	35	12⅞	12⅞	12½	−⅛
92½	88¼	AlaPw8.16				2	90	90	89½	−½

WORLD STOCK MARKETS

CANADA

TORONTO

2:00 pm prices April 4

MONTREAL

2:00 pm prices April 4

Total Sales 9,003,900 shares

INDICES

NEW YORK

DOW JONES	Apr. 3	Apr. 2	Apr. 1	Mar. 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2926.73	2945.05	2881.19	2913.86	2973.27 (6/3)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	93.71	93.88	93.64	93.60	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 1/10/81)
Transport	1116.18	1115.48	1101.55	1109.49	1166.26 (5/3)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.30	216.74	213.91	217.18	218.12 (26/3)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2958.42 (2951.98) Low 2923.27 (2878.22)

STANDARD AND POOR'S	Apr. 3	Apr. 2	Apr. 1	Mar. 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	378.94	379.50	371.30	375.21	379.50 (2/4)	311.49 (9/1)	379.50 (2/4/91)	4.40 (1/6/32)
Industrials	448.74	449.82	439.64	444.21	449.82 (2/4)	364.90 (9/1)	448.74 (2/4/91)	3.62 (21/6/32)
Financial	30.15	29.75	29.07	29.45	30.15 (3/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	207.39	207.42	203.41	205.30	207.42 (2/4)	170.97 (9/1)	207.42 (2/4/91)	4.46 (25/4/42)
Amex Mkt. Value	362.47	359.91	357.94	359.20	362.47 (3/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	495.03	489.21	480.86	482.30	495.03 (3/4)	355.75 (14/1)	495.03 (3/4/91)	54.87 (31/10/72)

	Mar.22	Mar.15	Mar.8	year ago (approx.)
Dow Industrial Div. Yield	3.53	3.42	3.40	4.06

	Mar. 27	Mar.20	Mar.13	year ago (approx.)
S & P Industrial div. yield	2.84	2.88	2.83	3.09
S & P Indl. P/E ratio	18.27	17.95	17.53	14.56

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
RJ Nabisco	3,402,200	12	+ ⅛
PSI Hldgs	3,094,200	17¼	- ⅛
Citicorp	2,512,700	14⅝	- ⅛
Philip Morris	2,249,600	68¼	- 1¼
Silicon Is	2,153,800	41	- 1½
Am Express	2,075,900	29⅛	...
Chase Man	1,854,600	16½	+ ⅝
IBM	1,840,400	113¾	- ⅛
Beverly Ents	1,821,800	11⅞	+ ⅛
Gen Electric	1,633,900	71⅛	- ⅛

TRADING ACTIVITY

† Volume Millions	Apr.3	Apr. 2	Apr. 1
New York	213.720	189.530	144.015
Amex	16.841	14.726	11.328
NASDAQ	(u)	199.626	126.193
Issues Traded	2,062	2,057	2,050
Rises	957	1,194	635
Falls	664	420	970
Unchanged	441	443	445
New Highs	275	148	77
New Lows	7	3	2

CANADA

TORONTO	Apr. 3	Apr. 2	Apr. 1	Mar. 28	1991 HIGH	1991 LOW
Metals & Minerals	3130.66	3174.93	3143.12	3184.27	3284.18 (5/3)	2632.06 (9/1)
Composite	3516.44	3516.31	3486.87	3495.67	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1847.64	1851.13	1830.19	1836.40	1888.19 (5/3)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 4	Apr. 3	Apr. 2	Apr. 1	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1459.8	1456.9	1434.8	(c)	1459.8 (4/4)	1204.5 (16/1)
All Mining (1/1/80)	662.9	663.6	654.3	(c)	673.5 (19/3)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	517.72	515.27	505.48	(c)	517.72 (4/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1198.59	1202.31	1193.91	(c)	1202.31 (3/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	353.82	352.51	348.78	(c)	354.05 (8/3)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1171.4	1156.1	1147.2	(c)	1171.4 (4/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	491.21	489.89	483.51	(c)	491.21 (4/4)	394.88 (15/1)
CAC 40 (31/12/87)	1836.21	1851.89	1827.10	(c)	1851.89 (3/4)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	666.97	668.97	656.00	(c)	682.77 (8/3)	570.48 (15/1)
Commerzbank (1/12/53)	1892.60	1899.50	1862.4	(c)	1942.3 (8/3)	1612.5 (15/1)
DAX (30/12/87)	1571.97	1577.50	1538.62	(c)	1602.29 (8/3)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3849.15	3869.70	3789.99	(c)	3869.70 (3/4)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1518.26	1510.59	1489.56	(c)	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	591.99	592.02	585.06	(c)	597.83 (18/3)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26689.81	26780.06	26252.00	26007.40	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	2007.48	2007.56	1976.70	1959.96	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3238.94	3238.25	3227.43	3240.86	3240.86 (1/4)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	591.17	586.86	584.20	587.06	605.85 (11/3)	470.41 (16/1)
NETHERLANDS						
CBS TtlRtn.Gen.(End 1983)	269.9	270.9	267.4	(c)	270.9 (3/4)	221.4 (16/1)
CBS All Shr (End 1983)	197.4	198.1	195.5	(c)	198.1 (3/4)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	717.55	720.56	714.02	(c)	735.00 (8/3)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1128.87	1106.98	1110.77	1117.90	1117.90 (1/4)	582.64 (16/1)
SINGAPORE						
SES All-Singapore (2/4/75)	409.58	408.85	405.60	408.02	415.46 (15/3)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1043.0§	1039.0	999.0	(c)	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3419.0§	3403.0	3386.0	(c)	3419.0 (4/4)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	654.14	649.43	643.56	650.05	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	282.08	286.18	286.43	286.70	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1114.8	1112.2	1094.0	(c)	1119.0 (18/3)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	740.8	743.0	734.5	(c)	743.0 (3/4)	590.4 (14/1)
SBC General (1/4/87)	618.4	617.9	610.5	(c)	618.4 (4/4)	487.1 (14/1)
TAIWAN*						
Weighted Price (30/6/66)	(c)	5344.84	5185.30	5297.92	5344.84 (3/4)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	868.49	856.38	853.58	857.18	885.16 (18/3)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	518.6*	519.0	510.9	504.2	524.2 (18/2)	439.1 (16/1)

‡ Corrected figure. **Saturday March 30: Taiwan Weighted Price: (c). Korea Comp Ex. 659.85. § Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Brussels SE, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 4 April 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi Zosen	30.1m	654	+15	Nisshin Steel	6.4m	749	+14
M'bishi Elec	14.6m	810	-7	Snyo-Kksku Pip	6.2m	695	-8
Nippon Ykn Kgo	13.6m	1,010	+49	Hazama-Gumi	5.8m	1,180	+10
Kurabo Inds	9.5m	1,140	-30	M'bishi Heavy	5.5m	808	-3
Clarion	8.5m	1,100	+40	S'tomo Mtl Mng	5.4m	1,280	+10

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
16¾	11⅛	Quanex	0.48	0.03	7	261	16⅛	15⅝	15⅞	−⅛
19⅝	11⅞	Quantum Ch			19	710	15¾	15⅜	15⅜	−½
14⅝	10½	QuestVal D	0.40	0.03		105	14⅛	14	14	−⅛
13¾	12⅝	QuestVal P				52	13⅝	13½	13½	
38½	33¼	Questar	1.98	0.05	12	193	38¾	38½	38½	−¼
20¼	10	Quick R'ly	0.28	0.01	16	117	u20½	20	20½	+½

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1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
11¾	10⅜	RAC Incm	1.28	0.11		31	11⅝	11½	11⅝	+⅛
7⅜	4⅞	RAC Mortg x	0.60	0.09	7	281	7	6¾	6⅞	+⅛
12⅞	4½	RJRNab W88				779	12	11⅞	12	+⅛
18⅞	11¾	RLI Corp x	0.44	0.03	7	15	15⅞	15⅝	15⅝	−⅜
8	4	RMI Titanm			3	25	7⅜	7¼	7¼	
10¾	8⅞	ROCTaiwan				194	10½	10⅜	10½	+⅛
6¾	4¼	RPS Realty			7	62	6	5⅞	5⅞	
67½	48¼	Racal ADR			22	871	u71	67¼	71	+4¼
69½	48¼	Ralston Pu	1.08	0.02	17	790	u69½	68⅝	68¾	+½
29¾	21¼	Raychem Co	0.32	0.01	7	284	26¼	25⅞	25⅞	−⅜
33	18¼	RayJames F	0.14	0.00	24	348	u34⅝	33	34	+1¼
84½	65⅞	Raytheon x	2.40	0.03	9	1427	83⅛	82½	82½	
35⅝	28⅛	ReadersD A	0.84	0.02	22	442	35⅛	34⅞	35	
2⅛	1½	Reading&B			1	312	2	1⅞	1⅞	
17⅞	12⅞	RealEstTr x	1.42	0.08	14	37	u17½	17	17½	+½
8⅞	4¾	RecognitEq			2	149	u8⅛	8	8⅛	+⅛

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
44¼	32⅛	Stanhome	0.92	0.02	17	33	u44⅜	44¼	[illegible]	[illegible]
36⅝	26¼	StanleyWk	1.20	0.03	14	441	35¾	35¼	[illegible]	[illegible]
24⅝	20¾	Starrett	0.68	0.03	9	39	23⅜	23	[illegible]	[illegible]
10⅛	9⅜	State Mutl	0.96	0.10		15	9⅞	9¾	[illegible]	[illegible]
3⅝	2½	Steego Crp			5	15	2⅝	2⅝	[illegible]	[illegible]
51⅝	43	StlgSf7.20				3	50¾	50¾	[illegible]	[illegible]
8⅝	6⅞	SterlgBcrp	0.22	0.03	7	22	7½	7⅜	[illegible]	[illegible]
7⅞	4⅝	SterlgChem	0.30	0.05	5	582	5⅝	5½	[illegible]	[illegible]
14½	7⅞	SterlgSwre			15	53	u14½	14⅜	[illegible]	[illegible]
5½	3⅜	Stifel Fin			76	5	u5½	5½	[illegible]	[illegible]
36¼	26⅝	Stone&Web x	0.80	0.02	65	13	32⅝	32½	[illegible]	[illegible]
18⅞	9	Stone Cont	0.72	0.05	9	1922	15¼	14¾	[illegible]	[illegible]
5⅝	3½	Stoneridge			6	33	4⅜	4⅜	[illegible]	[illegible]
8¼	6⅞	Storage Eq	0.80	0.10	6	35	8⅛	8	[illegible]	[illegible]
38¾	17¼	Storage Te			16	2650	37½	36¼	[illegible]	[illegible]
35¼	20½	Stratus			19	1345	34	33	[illegible]	[illegible]
46½	28¾	StrideRite	0.48	0.01	21	1455	u46⅝	45⅝	[illegible]	[illegible]
25¼	20⅛	Sturm Rgsr	1.20	0.05	9	17	23⅝	23¼	[illegible]	[illegible]
9⅝	5⅞	Suave Shoe	0.30	0.04	13	12	7½	7¼	[illegible]	[illegible]
9⅝	7¾	Sun Dis A x	1.10	0.12	4	62	8⅞	8⅝	[illegible]	[illegible]
4⅛	2½	Sun Dis B x	1.32	0.36		110	3¾	3⅝	[illegible]	[illegible]
12⅜	7⅜	Sun Electr			31	429	u12⅞	12⅝	[illegible]	[illegible]
10⅛	8⅛	Sun Energy	1.82	0.18	11	86	9	8⅞	[illegible]	[illegible]
33½	23⅜	Sundstrand	1.10	0.03	10	533	33	31¾	[illegible]	[illegible]
6¼	3¾	SunshinePf				166	4¼	4⅛	[illegible]	[illegible]
2⅛	1⅛	SunshineMn				304	1⅝	1½	[illegible]	[illegible]
27⅞	20½	SunTrust	0.92	0.03	10	947	u28	27⅞	[illegible]	[illegible]
18½	14¾	Super Food	0.34	0.02	11	78	16¼	16	[illegible]	[illegible]
28	21⅝	Super Valu			13	1120	u28⅛	27¼	[illegible]	[illegible]
21¼	17⅛	Superior	0.28	0.01	14	52	20⅞	20½	[illegible]	[illegible]
14½	11½	Swiss Helv				60	13¼	13	[illegible]	[illegible]
20	10¾	Symbol Tec			57	1363	19⅛	18¾	[illegible]	[illegible]
9⅞	7¾	Syms Corp			9	10	9¾	9⅝	[illegible]	[illegible]
16¾	13⅛	Synovus Fn	0.36	0.02	14	21	15⅞	15⅝	[illegible]	[illegible]
82¼	58¾	Syntex Crp	0.40	0.00	98	2430	u84⅝	82¼	[illegible]	[illegible]
40⅛	30	Sysco Corp	0.28	0.01	23	955	37	36⅜	[illegible]	[illegible]

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
9¾	6½	ZenithElec			4	327	6½	6¼	6⅜	
18¼	12	Zenith Nat	1.00	0.06	36	43	17¼	17⅛	17⅛	−⅛
5⅝	4½	Zenix Inc	0.28	0.05		97	u5⅝	5½	5⅝	
14	10⅞	Zero Corp	0.72	0.05	14	38	13⅝	13½	13⅝	+⅛
41⅜	29½	Zurn Ind	0.88	0.02	14	1018	35	34¾	34¾	+¼
12⅞	10¼	Zweig Fund				151	12⅛	12⅝	12¾	+⅛
9¾	8½	Zweig Totl				489	u9¾	9⅝	9¾	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2:00 pm prices April 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pet H&P	0.31	4	40	8⅝	8⅜	8⅝	+⅛
Phil LD	0.16	7	170	u18⅝	18⅜	18⅝	+½
Pittway A		10	32	24¼	24	24⅛	−⅛
P I y - Gem	0.12	26	35	8⅛	8	8⅛	+⅛
PresidioA	0.10	4	30	5½	5½	5½	
Price Com		0	67	[illegible]	[illegible]	[illegible]	
Pro Med x	0.50	11	10	6⅛	6⅛	6⅛	
Prof Care		6	12	6½	6¼	6½	

NASDAQ NATIONAL MARKET

2:00 pm prices April 4

AMERICA

Dow registers gains on interest rate hopes

Wall Street

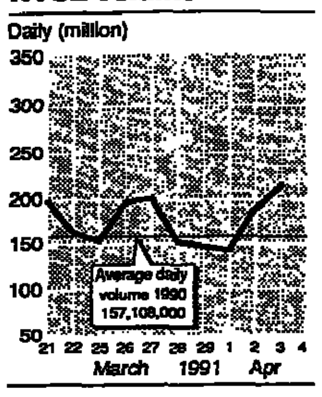
A higher-than-expected weekly jobless claims figure raised hopes that the Federal Reserve might cut interest rates again, which helped share prices to post modest gains in heavy trading yesterday morning, *writes Patrick Harverson in New York.*

At 1 pm the Dow Jones Industrial Average was up 12.87 at 2,939.60, which represented a 20-point recovery from early weakness. The more broadly based Standard & Poor's 500 was also firmer, up 1.83 at 380.77, while the Nasdaq composite of over-the-counter issues was again the best performing index, climbing 3.28 to 498.33.

Turnover on the New York SE was heavy for a second day running, with 11m shares changing hands by 12.30 pm. Advancing issues were running ahead of declining issues at a rate of 864 to 609.

The spark for the gains was the regular weekly report of the number of people claiming state unemployment insurance. Although this indicator is normally not widely watched, yesterday's 33,000 jump in jobless claims was far bigger than expected, and suggested that the March employment data, due today, could be bleak. This could press the Fed into cutting interest rates.

Among individual stocks IBM led the Dow higher with a rise of $1 to $114⅛ on turnover of 1.2m shares. IBM has been something of a laggard recently – even on Tuesday when the Dow jumped 63 points – and yesterday's demand could herald a recovery in the market's bellwether stock.



Polaroid slipped $1⅛ to $23⅝ in bright trading after the company said late on Wednesday that its first quarter profit would be in the range of 10 cents to 20 cents a share, well down on the 43 cents a share earned a year ago.

Another company to issue a profits warning was Graco, the engineering equipment manufacturer. The group's stock plummeted $4⅝ to $25 after Graco said first quarter profit would fall below the 35 cents a share reported in the same quarter of 1990.

The banking sector, which was one of the best performers of the first quarter, was well bought again. Chemical Bank, the subject of a broker's buy recommendation this week, climbed $⅝ to $19⅝, J P Morgan rose $⅝ to $48⅝, Manufacturers Hanover firmed $⅜ to $26⅜ and Citicorp added $⅜ to $15⅞. The one exception was BankAmerica, the west coast group, which eased $⅛ to $37⅛.

On the over-the-counter market Apple rose $1⅛ to $71⅞ in active trading after the company announced the formation of new divisions for research and development and worldwide product marketing. Synergen fell $1 to $35⅝ after Merrill Lynch, the broking house, cut its rating on the stock.

Canada

TORONTO STOCKS resumed their upward course at midday yesterday after falling in mid-morning trading. The market followed Wall Street higher.

The composite index gained 10.7 to 3,527.1. Advances led declines by 217 to 216 on volume of 18.1m shares.

Newbridge Networks, which jumped C$1 the previous day, gained another C$⅜ to C$9⅝. The company said on Wednesday that it knew of no reason for the recent advance in its share price. Laidlaw B shares, which have suffered recently from negative news, rose C$⅛ to C$15⅛.

Bombay shrugs off political uncertainty

R.C.Murthy reports on the reaction to recent events

THE INDIAN stock markets seem to have taken the current political uncertainty and balance of payments problems in their stride.

The collapse of the Chandra Shekhar administration early last month and the announcement of elections, set for May, were expected to produce a plunge in share prices. Instead they moved in a narrow range, easing 4 per cent last month. There has even been a minor rally this week, with the 30-share index of the Bombay Stock Exchange, which sets the pace for other Indian markets, rising 2.2 per cent on Monday to 1,193.61 and closing at 1,197.12 yesterday.

The interim budget presented on February 28 was a damp squib, and did not contain any tax proposals, which normally provoke reaction among traders. The BSE fell 52 points in March to 1,168; in the same month last year, the index jumped by 100 points or 14 per cent to 781, reflecting the high level of activity after the Indian budget.

Analysts say that the markets should be prepared for greater uncertainty in the near future. The pessimists fear a recession. A hung parliament after next month's polls would lead to a less stable government, which would make it difficult to tackle the weaknesses in the economy.

The optimists see these problems as transitory. They emphasise that the recent official forecast for good monsoon rains in the third quarter and corporate results for the year to December augur well for the markets. Hindustan Lever, a Unilever subsidiary, Colgate and Reckitt & Colman have raised their dividends and proposed scrip issues.

A clear trend is expected to emerge by mid-May, when the voters' preferences are known.

SOUTH AFRICA

SHARES in Johannesburg built upon the previous day's rally yesterday, but trading was cautious. The all-gold index edged up 4 to 1,043 and the industrial index rose 16 to another record of 3,419. The leading industrial stock, Barlows, rose 25 cents to R40.25.

ASIA PACIFIC

Cautious investors push Nikkei lower

Tokyo

A MODERATE decline for the 225-share Nikkei average was registered yesterday as cautious investors took their cue from the overnight retreat on Wall Street and engaged in profit-taking. The index was finally down 90.25 at 26,689.81, after a day's high of 26,792.68 and a low of 26,608.44, *writes Emiko Terazono in Tokyo.*

Volume decreased to 480m shares from 650m. Mr Shin Tokoi at County NatWest said a personnel reshuffle at the beginning of the business year had affected stock market activity. The overall picture was mixed, with advances narrowly leading declines by 497 to 471, and 167 issues ending unchanged. The Topix index of all first section stocks eased a slight 0.06 to 2,007.48, and in London the ISE/Nikkei 50 index was 0.60 off at 1,522.25.

Some traders had expected a sharper decline. Mr Peter Johnson at Baring Securities said that after Wednesday's 526-point Nikkei rise, yesterday's minor consolidation indicated confidence. Attention moved away from interest rate-sensitive stocks as market participants waited for the outcome of the central bank's branch managers' meeting, which ended yesterday. Tokyo Electric Power declined Y50 to Y3,950.

Nissan Motor dropped Y24 to Y776 on large-lot selling, triggered by prospects of a substantial fall in earnings and reports that an affiliated components maker had suffered heavy losses owing to its stock investments. Other carmakers were modestly firmer.

Shiseido, the cosmetics group, climbed Y30 to Y2,050 on news that the company had developed a drug which enhances brain activity, for geriatric diseases. Daiichi Pharmaceutical, which had previously risen on reports that it had developed a drug for senile dementia, shed Y10 to Y2,520 on profit-taking.

Stainless steel-related issues were firm. Nisshin Steel gained Y14 to Y749 in active trading. The company expects brisk earnings for the current year to March 1992. Some traders were seen supporting the stock ahead of an imminent warrant bond launch. Nippon Yakin Kogyo rose Y49 to Y1,010. Strong recommendations by the big four brokerages have prompted investor buying.

In Osaka, the OSE average moved up 229.05 to 29,562.75 on volume of 43.4m shares.

Tsudakoma, a textile machine manufacturer which rose recently on speculation that the company would receive large orders from the Soviet Union, lost Y10 to Y1,490 on profit-taking.

Roundup

SOME PACIFIC Basin markets seemed to be making a gentle, if delayed, response yesterday to Tuesday's gains in Japan and the US.

NEW ZEALAND advanced on light foreign buying, encouraged by favourable currency movements. The Barclays index closed 10.22 ahead at 1,352.72 for a gain of 12.5 per cent on the year so far. Turnover was NZ$19.6m (NZ$10.1m).

MANILA was led higher by San Miguel, the brewer, food manufacturer and diversified market leader, which put on 5 pesos to 62 pesos on stock dividend talk. The composite index ended 21.89 or 2 per cent stronger at 1,128.67.

HONG KONG retreated a little. The Hang Seng index slipped 20.55 to 3,549.15 ahead of the three-day local holiday weekend, following a rise of nearly 5 per cent over the preceding three sessions.

Turnover dipped from HK$2.22bn to HK$2.11bn. Utilities and property shares led the way down, Cheung Kong losing HK$1 to HK$18.30. This followed news late on Wednesday suggesting that Li Kashing, its chairman, had sold covered warrants on 110m shares in the property group. The instruments, sold at HK$5, give holders the right to buy Cheung Kong shares within two years at HK$19.30.

BANGKOK's SET index climbed 12.11 to 868.49 on turnover of 3.58bn baht. JAKARTA edged higher as volume doubled on foreign buying interest. The index firmed 1.58 to 406.12 on 4.4m shares.

SINGAPORE rose but trading remained light. The Straits Times Industrial index added 10.70 at 1,496.71 as turnover eased to S$128m from S$142m.

EUROPE

Profit-taking opportunity brings out equity sellers

THE OVERNIGHT fall in blue chips on Wall Street, and the decision of the Bundesbank to hold interest rates yesterday gave investors a chance to take profits. Corporate news produced sharp movements by some individual stocks, notably in Paris and Brussels, *writes Our Markets Staff.*

PARIS suffered its first decline in 10 sessions, the CAC 40 index slipping 15.68 to 1,836.21. Turnover was FFr2.63bn by the official close, after Wednesday's FFr3.5bn.

The spotlight was trained on Alcatel Alsthom, the electrical engineering and telecommunications group, and its Générale Occidentale (GO) subsidiary, following Wednesday's news that Alcatel was offering shareholders four of its own shares for three in GO.

Arbitrage between the two stocks by professionals and some panic selling by retailers left Alcatel FFr21 or 3.4 per cent lower at FFr600 on heavy trading of 745,970 shares. GO, which was suspended on Tuesday, jumped FFr111 or 16.2 per cent to FFr796 on 342,550 shares. The other two units in which Alcatel is buying in minority holdings also rose sharply, but in light volume. Saft added FFr189 to FFr1,337 and Locatel FFr18 to FFr199.

Other big movers included Paribas, which is also buying the outstanding shares in two subsidiaries. It dropped FFr13 or 2.7 per cent to FFr471. Lafarge Coppée closed at FFr402, down another FFr8.90; the stock has been weak since Tuesday's analysts' meeting.

Peugeot dropped FFr15 or 2.6 per cent to FFr571 on 199,925 shares, following the news of disappointing French car registration figures for March.

FRANKFURT eased, the FAZ index coming back 2.00 to 666.97 at midsession and the DAX closing 5.53 lower at 1,571.97 as volume fell from DM7.8bn to DM6.5bn.

Mr Heino Rauland, equity strategist at Bank Julius Baer in Frankfurt, said that on Wednesday the market had broken up through its 200-day moving average, and that a technical reaction was due.

BMW fell DM7 to DM553 on profit-taking. Its 1990 results were regarded as good value. Thyssen, whose flat steel is a US dollar-denominated product, rose DM3 to DM223.50 during market hours, and another DM3 in the London post-bourse. Mr Rauland noted that the US economy was expected to recover along with the dollar, and that Thyssen was the only German steelmaker with a substantial proportion of its sales in the US.

Siemens fell DM6.50 to DM587. UBS Phillips & Drew has issued a sell recommendation, saying that the Siemens/Nixdorf computer merger had unearthed problems in that area of the group's activities; and that interest income this year would fall to a point where it would fail to shield lower operating results. UBS forecasts an earnings per share fall of 7 per cent to DM40.80.

MILAN featured a further rise in net inflow for Italy's mutual funds, from L603bn in February to L720bn in March. Mr Sam van Holthe, of Sanpaulo Bank in London, observed that this indicated a good annual increase in the industry's total funds, which stood at L50.9 trillion at the end of March.

After profit-taking yesterday, the Comit index closed virtually unchanged at 591.99 in higher volume. Interest in the insurance sector extended to Ras, L580 higher at L20,450, and Fondiaria, L1,000 better at L45,450. Italian insurance stocks have been getting friendly domestic support and Mr van Holthe said that the sector was up 22.5 per cent this year, against a 16.4 per cent rise in the market.

BRUSSELS watched Acec-Union Minière, the non-ferrous metals group, fall BFr165 or 5.8 per cent to BFr2,665 after Wednesday's news of a steep fall in 1990 profits. The Bel20 index eased 3.72 to 1,198.59.

AMSTERDAM finished lower as profit-taking wiped out early gains. The CBS Tendency index ended 0.6 down at 97.6, after a morning high of 99.2. Pakhoed, the transport and storage company, rose to Fl 199.20 before closing at Fl 196, down Fl 1.70, after reporting a rise in 1990 profits in line with expectations.

KLM rose 80 cents to Fl 27.60 on the recently firm dollar, lower oil prices, and comments by the airline's chairman about the profits outlook.

MADRID continued to fall on profit-taking. The general index lost 4.1 or 1.4 per cent to 282.08. Investors were cautious after a small rise in the central bank's overnight money rate.

ZURICH ended mixed in reduced volume, although insurers and banks attracted good demand on slightly easier money market rates. The Crédit Suisse index rose 1.3 to 558.2; Union Bank bearers gained SFr40 to SFr3,630; and, among insurers, Winterthur and Zurich bearers added SFr50 and SFr60 to SFr4,170 and SFr4,670 respectively.

STOCKHOLM reversed early losses to close with the Affärsvärlden General index 2.60 higher at 1,114.30 in a market characterised by a lack of sellers. Turnover fell from SKr464m to SKr317.5m.

FT-SE Eurotrack 100 - Apr 4

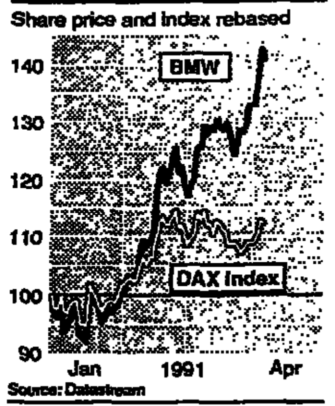
Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1120.12	1118.15	1114.27	1112.63	1114.16	1112.85	1112.59	1114.08

Day's High 1120.25 Day's Low 1111.40

Apr 3	Apr 2	Mar 28	Mar 27	Mar 26
1116.86	1100.61	1093.14	1090.17	1078.79

Base value 1000 (26/10/90)

Share price and index rebased



Source: Datastream

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at MARCH 29, 1991 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar Index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Market capitalisation as at MARCH 29, 1991 (US$m)	% of World Index	Market capitalisation as at DECEMBER 31, 1990 (US$m)	% of World Index	% change in $ index since DECEMBER 31, 1990
Australia (75)	91766.7	1.35	78293.5	1.26	+14.16
Austria (19)	10633.0	0.16	10687.2	0.17	−0.51
Belgium (60)	49374.6	0.73	44264.3	0.71	+5.10
Canada (116)	144072.3	2.12	138750.6	2.24	+5.38
Denmark (32)	24921.1	0.37	24470.9	0.39	+2.31
Finland (21)	2492.2	0.04	2265.5	0.04	+14.32
France (113)	213452.5	3.13	195887.8	3.16	+4.79
Germany (88)	246309.3	3.62	259890.7	4.19	−5.21
Hong Kong (48)	68630.3	1.01	54558.7	0.88	+24.77
Ireland (16)	9126.2	0.13	8138.6	0.13	+9.67
Italy (91)	97832.8	1.44	89918.6	1.45	+0.65
Japan (453)	2213786.7	32.51	2027841.6	32.67	+9.04
Malaysia (34)	8167.2	0.12	7371.1	0.12	+10.34
Mexico (12)	15441.1	0.23	11424.3	0.18	+35.16
Netherland (40)	104286.2	1.53	101465.4	1.63	+3.27
New Zealand (15)	6910.3	0.10	6513.5	0.10	+4.27
Norway (30)	7750.3	0.11	7854.0	0.13	−4.17
Singapore (25)	16674.5	0.24	13275.2	0.21	+22.16
South Africa (60)	57707.5	0.85	53176.1	0.86	+8.27
Spain (41)	73183.4	1.07	63625.5	1.03	+14.15
Sweden (27)	27159.2	0.40	23166.1	0.37	+17.23
Switzerland (65)	93227.0	1.37	89847.5	1.45	+5.01
United Kingdom (295)	741990.2	10.90	707589.8	11.40	+4.61
USA (525)	2483943.9	36.48	2186562.8	35.23	+14.05
Europe (938)	1701738.0	24.99	1629091.9	26.25	+3.27
Nordic (110)	62322.8	0.92	57756.4	0.93	+7.83
Pacific Basin (650)	2405935.6	35.34	2187853.6	35.25	+9.70
Euro – Pacific (1588)	4107673.6	60.33	3816945.4	61.50	+6.94
North America (641)	2628016.2	38.60	2325313.3	37.46	+13.54
Europe Ex. UK (643)	959747.9	14.10	921502.1	14.85	+2.26
Pacific Ex. Japan (197)	192148.9	2.82	160012.0	2.58	+17.86
World Ex. US (1776)	4324894.5	63.52	4020296.4	64.77	+6.99
World Ex. UK (2006)	6066848.2	89.10	5499269.4	88.60	+10.09
World Ex. So. Af. (2241)	6751130.8	99.15	6153683.1	99.14	+9.47
World Ex. Japan (1848)	4595051.7	67.49	4179017.6	67.33	+9.66
The World Index (2301)	6808638.3	100.00	6206859.2	100.00	+9.47

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY APRIL 3 1991 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY APRIL 2 1991 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1991 High	1991 Low	Year ago (approx)
Australia (74)	136.86	+2.1	113.92	118.78	118.40	116.88	+1.6	5.81	134.04	112.40	117.35	117.11	115.00	138.86	112.74	136.56
Austria (19)	202.11	+2.8	168.25	175.42	174.85	175.40	+1.6	1.50	196.59	164.85	172.11	171.76	172.67	222.37	167.00	280.75
Belgium (60)	141.58	+1.1	117.85	122.86	122.46	120.28	+0.4	4.89	140.04	117.43	122.59	122.35	119.84	151.20	121.73	146.52
Canada (116)	138.15	+0.0	115.01	119.90	119.51	115.55	+0.0	3.42	138.09	115.80	120.89	120.64	115.59	141.10	126.49	140.78
Denmark (31)	248.02	+2.5	206.46	215.26	214.57	215.98	+1.4	1.54	242.09	203.01	211.95	211.51	213.03	270.56	217.74	248.58
Finland (21)	120.43	+2.6	100.25	104.52	104.19	99.67	+1.5	2.44	117.35	98.41	102.75	102.53	98.18	125.15	90.61	135.70
France (113)	143.26	+2.1	119.26	124.33	123.93	126.80	+1.2	3.36	140.31	117.66	122.83	122.57	125.29	152.26	121.85	158.22
Germany (88)	112.09	+3.0	93.30	97.29	96.96	96.96	+2.0	2.31	108.78	91.22	95.25	95.04	95.04	125.35	102.43	138.46
Hong Kong (48)	156.75	+1.9	130.48	136.04	135.61	156.90	+2.0	4.36	153.77	128.94	134.62	134.35	153.84	156.75	119.62	122.62
Ireland (16)	169.65	+2.6	141.23	147.24	146.77	149.45	+2.0	3.06	165.30	138.61	144.72	144.42	146.53	182.46	132.88	185.06
Italy (91)	81.73	+2.6	68.04	70.93	70.70	75.60	+1.4	3.37	79.68	66.81	69.75	69.61	74.53	88.23	72.05	97.72
Japan (452)	142.39	+2.6	118.53	123.58	123.20	123.58	+1.7	0.69	138.78	116.38	121.50	121.27	121.50	146.97	118.35	127.11
Malaysia (33)	238.93	+0.9	198.89	207.36	206.69	252.73	+0.7	2.98	236.73	198.51	207.24	206.82	250.95	247.78	192.83	219.77
Mexico (12)	803.44	+1.2	668.82	697.30	695.06	2626.26	+1.4	0.26	794.13	665.93	695.25	693.82	2593.06	803.44	594.45	382.27
Netherland (40)	142.56	+2.2	118.67	123.73	123.33	122.00	+1.2	4.23	139.52	117.00	122.15	121.90	120.52	145.73	125.70	139.42
New Zealand (14)	46.19	+0.9	38.45	40.09	39.96	41.37	+0.3	8.26	45.78	38.39	40.08	40.00	41.24	52.31	41.18	61.35
Norway (30)	202.25	+1.8	168.36	175.53	174.97	178.57	+1.0	1.76	198.62	166.56	173.89	173.54	176.85	223.24	182.24	235.48
Singapore (25)	198.13	+2.6	164.93	171.95	171.40	160.88	+1.0	2.34	193.12	161.95	169.08	168.73	159.22	208.25	151.63	189.73
South Africa (60)	200.24	+0.8	166.69	173.78	173.23	144.22	+1.8	3.96	198.60	166.54	173.87	173.51	141.64	208.64	173.00	181.02
Spain (41)	164.19	+0.8	136.68	142.50	142.04	128.80	+0.0	4.41	162.93	136.62	142.64	142.35	128.80	171.12	131.51	135.65
Sweden (27)	194.19	+2.8	161.65	168.54	168.00	173.99	+2.2	2.50	188.90	158.41	165.38	165.04	170.30	204.12	146.60	176.86
Switzerland (65)	96.79	+2.2	80.57	84.00	83.74	84.84	+1.2	2.44	94.73	79.44	82.94	82.78	83.81	100.67	82.17	90.09
United Kingdom (295)	180.66	+2.0	150.39	156.78	156.28	150.39	+1.3	4.72	177.12	148.53	155.05	154.73	148.53	187.44	156.27	148.86
USA (525)	153.74	−0.1	127.98	133.43	133.00	153.74	−0.1	3.19	153.83	129.00	134.68	134.41	153.83	153.83	125.95	137.94
Europe (937)	144.61	+2.2	120.38	125.51	125.11	123.05	+1.3	3.83	141.55	118.70	123.92	123.67	121.45	151.62	125.50	139.68
Nordic (109)	187.84	+2.5	156.37	163.03	162.51	159.50	+1.7	2.02	183.21	153.63	160.39	160.07	156.87	200.81	155.55	166.13
Pacific Basin (646)	142.23	+2.6	118.40	123.45	123.05	123.96	+1.7	1.03	138.69	116.30	121.43	121.18	121.89	145.92	117.86	127.30
Euro – Pacific (1583)	143.56	+2.4	119.51	124.59	124.19	124.46	+1.5	2.19	140.21	117.57	122.74	122.49	122.57	147.86	121.29	132.74
North America (641)	152.69	−0.1	127.11	132.53	132.12	151.17	−0.1	3.20	152.78	128.11	133.77	133.50	151.26	152.78	125.91	138.01
Europe Ex. UK (642)	122.81	+2.3	102.24	106.61	106.27	107.07	+1.4	3.14	120.06	100.66	105.13	104.92	105.64	129.80	106.85	132.65
Pacific Ex. Japan (194)	139.49	+2.0	116.12	121.08	120.69	124.32	+1.6	4.95	136.77	114.69	119.76	119.50	122.34	139.49	111.40	128.95
World Ex. US (1771)	144.33	+2.3	120.15	125.27	124.86	124.95	+1.5	2.25	141.10	118.32	123.54	123.28	123.12	148.16	122.32	133.62
World Ex. UK (2001)	143.06	+1.4	119.09	124.17	123.76	132.24	+0.9	2.32	141.14	118.35	123.57	123.32	131.06	143.99	120.06	132.63
World Ex. So. Af. (2235)	146.07	+1.4	121.60	126.79	126.38	133.97	+0.9	2.57	144.00	120.75	126.08	125.82	132.75	147.10	122.92	133.78
World Ex. Japan (1844)	149.94	+0.9	124.81	130.14	129.73	139.53	+0.5	3.51	148.64	124.64	130.14	129.86	138.77	151.69	126.69	139.03
The World Index (2296)	146.40	+1.4	121.87	127.07	126.66	134.04	+0.9	2.58	144.33	121.03	126.36	126.11	132.81	147.40	123.28	134.06

Latest prices were unavailable for this edition.

RECRUITMENT

JOBS: Researchers spell out conditions in which the task in hand becomes all-absorbing

The spiritual dimension of high performance

WHEN you're working, do you ever feel as though you are close to a powerful spiritual force that seems to lift you out of yourself?

If the Jobs column's experience is any guide, most readers will find that question disquieting. My own response was to say "Yes, it's called the Editor". But the lame joke was only a pretext to dodge taking the question seriously, perhaps because the nearest thing to it I had met before was an item in a personality test, which inquired: "Do you ever feel your soul is coming adrift from your body?" It turned out that the test, although used in recruiting, was originally designed to detect incipient madness.

Spiritual forces fit uneasily into working life nowadays. Whatever our job, the general assumption is that we do it for some material gain – if not money, then power, fame or at least a comfortable old age. Indeed the hard school of life teaches that, after meeting anyone whose motivation cannot be traced to palpable gain, the wisest action is to check your wallet.

Even so, a goodly number of folk will privately admit feeling spiritual forces. For example, when the question I started with was put to 1,000 individuals in the United States two years ago, almost a third said they had felt powerfully uplifted as though from outside in some part of their daily round. One in eight reported having such ecstasies repeatedly. Moreover, feelings of said type arose markedly more often at work than in leisure hours, especially when the job was complex and demanding.

I owe those facts to a book* by Mihaly Csikszentmihalyi, Professor of Psychology at the University of Chicago, who with associates around the world has studied many thousands of people in all manner of occupations. The researchers' main method is to equip their human subjects with electronic pagers programmed to bleep at random intervals eight times a day. At each bleep the people under study fill in a form, detailing what they are currently doing, with whom, and how they feel about it.

The results lead the researchers to dispute the belief that people are spurred to effort primarily by the pursuit of material gain. Far from being the only motivator, it is nowhere near the most productive either of good work or personal happiness.

For the studies show that humans are at their best in every sense when experiencing what the professor calls "flow". He describes it as "the state in which people are so involved in an activity that nothing else seems to matter; the experience itself is so enjoyable that people will do it even at great cost, for the sheer sake of doing it."

The most mind-boggling effect of same – to the heights-abhorring Jobs column, at any rate – is in impelling even otherwise sane-seeming people to climb rockfaces. Here is one of them rhapsodising about it:

"It's a Zen feeling, like meditation or concentration. One thing you're after is the one-pointedness of mind.... it's like an egoless thing, in a way. Somehow the right thing is done without you ever thinking about it or doing anything at all.... It just happens. And yet you're more concentrated."

But, as I said earlier, the bulk of flow experiences are felt at work. And while more common at higher levels of official responsibility, they are certainly not confined thereto.

The book cites the case of Joe, aged 60-plus and a humble welder in a Chicago factory. Nevertheless, managers and workmates alike thought him a priceless asset.

"The reason for his fame was simple: Joe had apparently mastered every phase of the plant's operation, and he was now able to take anyone's place if the necessity arose. Moreover, he could fix any broken-down piece of machinery, ranging from huge mechanical cranes to tiny electronic monitors. But what astounded people most was that Joe not only could perform these tasks, but actually enjoyed it when he was called upon to do them."

Readers who are lucky will no doubt have encountered the odd Joe during their labours. They may even have been lucky enough to have personally felt the same sort of enjoyment in things they were doing, however officially trivial. Wherever it occurs, the professor finds, it is characterised by at least some of the following conditions.

1 The task is one we are capable of completing.
2 We are able to concentrate entirely on the work in hand.
3 It has goals which are clear, although not necessarily defined in detail.
4 It provides immediate feedback.
5 It gives us a *feeling of deep but effortless involvement* that removes from consciousness the worries and frustrations of everyday life.
6 It allows us full control over our actions.
7 While we're actually doing it our sense of self disappears, only to return with added strength when the task is finished.
8 It transforms our awareness of time, so that hours seemingly pass in minutes or minutes stretch out like hours.

Besides listing the symptoms of the flow experience, the professor thinks he knows its cause. Far from being motivated by things imposed from outside, such as extra pay or the sack, our drive is totally internal – the creative delight of personal growth achieved by gaining more complex abilities.

At such times, he says, we are fully in charge of own awareness. "Since what we experience *is* reality, as far as we are concerned, we can transform reality...."

Whereupon he proceeds not only to give hints on how to achieve consciousness-control, but to offer the concept of flow as a foundation for a universal ethical philosophy. All of which, although interesting, seems over-ambitious for the Jobs column's purposes.

My sole concern is the extent to which the flow notion affords an improved understanding of how people come to work at their best – a question on which I'd be very grateful for readers' reflections. As far as my experience goes, there are certainly occasions when I become totally absorbed by what I am doing, and they seem to be characterised by most if not all of the professor's eight symptoms.

Even so, I have some misgivings about the theory. One is its claim that such occasions are enjoyable. Without doubt, they give great satisfaction. But that is not the same thing as enjoyment. For instance, not only for me but for colleagues equally content with their lot, writing is such a stressful process that we shy away from tackling until looming deadlines make it utterly unavoidable.

Moreover, while the end of the agony often leaves one deeply satisfied, not to say smug, I doubt that the glow arises from anything so dignified as personal growth gained by acquiring more complex abilities. A more likely cause is sheer relief that the taxing thing one was doing is now over.

That certainly seems to apply even to rock-climbing. Although too scared to try myself, I once asked a famous practitioner why he did it. He replied that being actually out on the rockface was secondary to the main purpose, which was to sit in a bar afterwards reading the guide book's description of the day's climb.

"The book'll say something like: *From this point, there follows an exhilarating traverse*", he explained. "And you remember hanging to it by your finger nails, promising the God you usually don't acknowledge that if he'll just save you this time, you'll not only never climb but never sin again.

"Then you have another pint, and plan your next ascent."

Michael Dixon

Flow – the psychology of optimal experience. Harper & Row, US, $19.95.

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For further information, please contact Kevin A. Gordon, Regional Director, quoting ref: 91M/1634FT at Daniels Bates Partnership Ltd., 6 Houndgate, Darlington, Co. Durham DL1 5RF - (0325) 485992.

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ACCOUNTANCY COLUMN

A method that reveals what accounts obscure

By David Waller

INDUSTRY IS more short-term than the City, according to a poll of UK analysts, fund managers and senior company directors published last month.

The poll of 97 fund managers, 59 investment analysts, 32 chief executives of large quoted companies and 67 finance directors, conducted by MORI on behalf of Coopers & Lybrand Deloitte, found that industrialists are more preoccupied with accounting profits than City investors and analysts.*

Three-quarters of the top managers questioned believe accounting profit to be the most important barometer of corporate performance. Only a third of City investors and analysts share this view.

According to the poll, the City would like managers to pay more attention to long-term measures of corporate performance which reflect the cash flows generated by the business over a period of years.

Coopers recommends that company directors embrace something called "Shareholder Value Analysis", a technique developed in US business schools in the late 1970s and early 1980s which is now used by many large US corporations.

Using this technique, companies apply the discounted cash flow (DCF) methodology – commonly used for the appraisal of capital investment projects – to the management of the business as a whole.

DCF gives a net present value of future cash flows, taking account of both the amount of cash and its timing.

No doubt many directors will react to the conclusions of this poll with cynicism. Where, after all, is there evidence that the City takes any interest in long-term performance?

Many agree with Mr Ian Hay Davison, a former chairman of the Accounting Standards Committee (ASC) and now chairman of Crédit Lyonnais Laing, who has argued that: "The single most important figure affecting the analysts' view [of a company's investment appeal] – and hence the market's view – is forecast earnings per share."†

Academic analysis suggests that, on the contrary, share prices are driven by investors' considerations of the extent to which the company will be able to generate cash – and pay dividends – over the long term.

'The virtue of simplicity can also be a vice. EPS ignores the effects of many natural or contrived peculiarities of accounting'

"Earnings per share is a simple calculation that answers many business questions quite well," according to three consultants from McKinsey & Co in a recent book on corporate valuations.‡

"But the virtue of simplicity can also be a vice. EPS ignores the effects of many natural or contrived peculiarities of accounting.

"It can therefore lead, or allow, managers to make choices that destroy value in the long term, often without the short-term share price movements they hoped for."

Furthermore, empirical evidence collected by US researchers suggests that accounting changes which have no impact on the underlying business reality do not influence investors' decisions.

Of course many company directors believe otherwise – witness the passions stirred by last year's debate on accounting for goodwill, when the ASC proposed a purely cosmetic accounting change which would have had the unfortunate effect of reducing reported earnings.

However, as the findings of the Coopers report suggest, the City is waking up to the limitations of reported profits.

An example of this is the popularity of Accounting for Growth – an exposition of accounting manipulation published in January this year by UBS Phillips & Drew – which has acquired cult status in the City as fund managers puzzle over the collapse of a number of large companies in the past 18 months.

So what practical step should company directors take, now that the City has suddenly seen through the limitations of reported accounts?

"The DCF approach captures all the elements that affect the value of the company in a comprehensive yet straightforward manner," say the McKinsey consultants.

"It is based on the idea that an investment adds value if it generates a return on investment above the return that may be able to be earned on investments of similar risk."

Mr Gareth Stainer, Cooper's SVA expert, identifies six variables: operating profit margins; the rate of growth in sales; the tax rate; the incremental increase in fixed capital; the incremental increase in working capital; and the discount rate.

The first five variables define the cash flows. The discount rate determines how those cash flows are to be valued.

"In practice, not all cash is of equal value," Mr Stainer says. "Some has to be re-invested simply to replace the capital consumed in the course of the business.

"The process helps managers concentrate on free cash flow, i.e. the cash thrown off after all the other requirements of the business have been satisfied. Only out of this cash can dividends be paid."

So what, for their part, should company directors do, now that the City has suddenly seen through the limitations of reported accounts?

In practice, the conclusions reached by SVA may fly in the face of intuition. As the McKinsey consultants comment: "In some seemingly more profitable businesses, growth destroys value. In others, growth increases value even if it drives down the average return on capital."

As Mr Stainer says: "A 1 per cent increase in margins is often two to three times more valuable to the company than a similar increase in sales growth.

Mr Stainer acknowledges that the exercise is in practice "subject to the vagaries associated with any future planning process".

Determining the discount rate – usually based on the company's cost of capital by reference to the cost of debt and of equity – is complicated and highly subjective.

Yet, Mr Stainer maintains, the very process of analysing a company's cash flows in this way is illuminating.

"It gives clarity, simplicity and focus to decision-making – it tells you what you should be concentrating on.

To some, SVA may appear to be another new-fangled and over-complex technique, such as Activity Based Costing imported from business schools on the other side of the Atlantic.

It may, however, help liberate company directors from the tyranny of earnings per share.

** Shareholder Value Analysis Survey: available from Gareth Stainer, Coopers & Lybrand Deloitte, Plumtree Court London EC4 4HT.*

† Quoted from the Way Forward, an article in Financial Reporting, published by the Institute of Chartered Accountants in England & Wales and the Institute of Chartered Accountants of Scotland.

‡ Valuation, Measuring and Managing the Value of Companies, by Tom Copeland, Tim Koller, Jack Murrin of McKinsey & Company, published by John Wiley & Sons.

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